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19 July 1985

# Latin America Report

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19 July 1985

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INTER-AMERICAN AFFAIRS

BOLIVIA-CUBA TO INCREASE TECHNICAL COOPERATION

La Paz EL DIARIO in Spanish 28 May 85 p 1

/Text/ Shortly Bolivia will purchase pharmaceutical products from Cuba and it intends to set up a drug-manufacturing plant with Cuban technical assistance in compliance with agreements reached between the Foreign Ministry of the republic and the Caribbean Government.

The Bolivian Government's decision to establish a diplomatic mission in Havana, Cuba, will complete the process initiated on 11 January 1983 when Mario Velarde and Isidoro Malmierca, foreign ministers of Bolivia and Cuba respectively, signed a joint declaration at the Continental Hotel in Managua formalizing diplomatic relations.

First Commission

The recent visit to Bolivia by a Cuban delegation headed by Ambassador Lazaro Mora, America Division Director in the Ministry of Foreign Relations, offered the opportunity of laying the groundwork for the creation of the First Joint Bolivian-Cuban Commission the main purpose of which is to increase relations within a legal framework creating suitable conditions for the implementation of agreements on technical, scientific and cultural cooperation. The texts of these agreements are currently being studied by agencies in both countries.

Interest

According to documents conveyed to the Foreign Ministry of the republic, Cuba is interested in importing nontraditional Bolivian products.

Bolivia, for its part, has expressed interest in getting technical cooperation from Cuba during the planning and execution stages of projects to create manufacturing plants to produce pencils, Havana tobaccos, rum, prefabricated houses, and to recycle the bagasse as fuel in its sugar mills currently under operation.

While he was minister of information, Mario Rueda Peña went to Havana to ratify the installation of our embassy and he was the one who announced the exchange of diplomatic representatives stating that "there is a sharing of views" between our governments.

On that occasion, officials of the Cuban Ministry of Foreign Relations gave him some documents stating the intentions of the Caribbean country which is seeking to upgrade its embassy in Bolivia and the prime mover behind this action is the Cuban diplomat Angel Gustavo Brugues who has been skillfully lobbying in our country.

#### Pharmaceutical Products

Bolivia plans to import pharmaceutical products made in Cuba and to get technical assistance to purchase and install drug-manufacturing plants. It has also "expressed interest" in receiving technical assistance for the training of medical and paramedical personnel by means of programs specially designed for that subject.

#### Trip

Miguel Angel Flores, who was the first Bolivian charge d'affaires after 1964, will be going to Havana this coming 8 June with the specific mission, among other things, of opening residential and office facilities for our country's first embassy in Havana since the triumph of the Cuban revolution.

8796

CSO: 3348/712



INTER-AMERICAN AFFAIRS

EC ESTABLISHES LATIN AMERICA STUDIES INSTITUTE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 11 Jun 85 p 4

[Text] Madrid, 10 June--The newly founded EC Latin America Institute will be located in Madrid and will start its work early July. Several other big European cities (Amsterdam, Brussels, Rome, Strasbourg and at first also Hamburg) had applied to be the location for the "Institute for the Relations Between Europe and Latin America" (Irela). Hamburg had stepped aside in favor of Madrid. Finally the organizing committee, with the approval of the South and Central American Committee of the European Parliament, had decided in favor of Madrid. Thus Spain is getting an EC institute even prior to its membership in the EC (in all probability after 1 January). Wolf Grabendorff, the German political scientist and Latin America expert, last active in the Science and Policy Foundation in Ebenhausen, was appointed director of the new institute. Alberto Vanklaren, the Chilean university professor, jurist and political scientist, is deputy director. The various institute bodies have equal representation of Europeans and Latin Americans.

The Spanish government and Spanish institutions had tried very hard to get the institute. The EC Latin America Institute is supposed to expand the relations between the EC and the Latin American continent and to deepen mutual understanding. It wants to cooperate with national and international organizations including the Council of Europe and, together with Latin Americans, wants to stimulate and plan research on Latin America. The institute will conduct conferences and seminars in European and Ibero-American countries with participation of politicians, journalists, government officials, businessmen and professors and collect documentary material on various aspects of the relations between both continents.

As a first effort, a documentation of all institutes in Europe dealing with Latin America or interested in this continent is being compiled. Latin Americans are offered a full opportunity to acquaint themselves with the EC work in Europe. Political topics will be in the center of the institute activities but also economic and cultural questions will be dealt with, particularly since the link between political and cultural discussion is very close especially in Latin America.

Irela's international advisory council also includes well known writers, such as the Britisher Graham Greene and the Mexican Carlos Fuentes, in addition to



EC Commissioner Cheysson, the CDU politician Leisler Kiep, the former Spanish Prime Minister Suarez and Council of Europe General Secretary Oreja. Members of the executive committee include Mainz professor Mols and the Spanish Latin America expert Guzman. The council of the institution, which controls the institute's budget, consists of four European parliamentarians: the Italian Carla Barbarella for the Communist parliamentary party group, the Britisher Tuckman for the Conservatives and the Germans Linkohr (for the Socialists) and Langes (for the Christian Democrats). The institute is sponsored mainly by the European Parliament and the European Commission. The first sessions and seminars will take place in Segovia (Spain), Lima, Bogota, Augsburg and Bellagio (Italy).

12356

CSO: 3420/64

INTER-AMERICAN AFFAIRS

CARIBBEAN LABOR LEADER DECRIES ANTI-WORKER ATMOSPHERE

Port-of-Spain TRINIDAD GUARDIAN in English 11 Jun 85 p 5

[Text]

ROSEAU, Mon., (Cana):  
THE General Secretary of the Barbados-based Caribbean Congress of Labour (CCL) says there is need for a removal of anti-labour legislation, which he claimed is sweeping the entire Caribbean area.

Addressing the opening of a one-week Windward Islands trade union seminar in the role of trade unions in a democratic process, Kertist Augustus said union leaders should not keep quiet on matters that affected workers, only because of the fact that their party was in power.

"We need to reverse the trend of anti-labour legislation which is sweeping the Caribbean presently. The right to strike should be recognised as a basic right of workers and workers should not lose their jobs when they initiate perfect and legitimate action in furtherance of a trade dispute," he said.

Augustus added that trade unions had a great role to play in development of the region.

Augustus criticised the role being played by people who used the trade union movement to attain political power, and then in return seek to stifle the movement.

SYSTEM ATTACKED

"One could state that Caribbean trade unions in the 1940s and unionists spearheaded the thrust for political independence, in order to maintain the freedom and create an atmosphere conducive for their operations, particularly that of free collective bargaining. It was not uncommon for presidents of unions to be Premiers of countries... Today, the system is being systematically attacked," he said.

Augustus said such attacks were in the form of legislating public servants' salaries, and calls for wage freezes in the private sector.

"All of these are new and sometimes dangerous, and will only succeed if workers remain as they are, suspicious of their leadership...divided and docile. What is needed is for our membership to get the trade unions as militant as they were in the 1940s, very supportive of their union."

He said this could be achieved once the membership could separate industrial relations matters from party political matters.

INTER-AMERICAN AFFAIRS

CLIMATE IMPROVES IN TRINIDAD-VENEZUELA FISHING TALKS

Port-of-Spain TRINIDAD GUARDIAN in English 12 Jun 85 p 7

[Text]

SAN FERNANDO:

ASSURANCE that every effort would be made to encourage the Venezuelan National Guardsmen patrolling that country's waters to "go easy" with fishermen from Trinidad and Tobago, was given by the head of a delegation from Venezuela recently.

So far, said Mr. Cyril Rogers, Deputy Speaker of the House of Representatives, "there has been a distinct improvement in relations."

Mr. Rogers, who has been a moving figure in the drive for settlement of problems facing fishermen from Cedros and Icos operating in the Gulf of Paria, said yesterday that since the visit of the delegation, headed by Dr. Almorant Carlos Pisslido, there had been a "significant lessening of problems."

He said that the head of delegation had said while he could give no guarantee, he would certainly urge the Guardsmen to "go easy" and try to avoid incidents that might tend to prejudice the negotiations between the Governments of Trinidad and Tobago and Venezuela aimed at resolving the problems.

Mr. Rogers noted there was progress in the negotiations for a new agreement and he

was personally taking a close look at the situation, monitoring developments weekly in order to ensure that "things continue to go well."

He said that since the meeting between

the delegation and the fishermen from the area, "discussions in which our own Ministry of External Affairs and Fisheries Department had participated, there has been some improvement in the overall situation."

"I am hopeful that before the end of July, there will be full and complete agreement. I am extremely optimistic about such a settlement," Mr. Rogers stated yesterday.

ANTIGUA AND BARBUDA

ATLU ORGAN REPORTS ON MAY DAY MARCH, RALLY

St. Johns THE WORKERS VOICE in English 18 May 85 p 1

[Text]

Inspite of late preparations and the staging of very few meetings, thousands of persons turned out to the Antigua Trades and Labour Union Labour Day march. The march commenced after a rally at the West Bus Station which was addressed by Comrade Leader the Rt. Hon. Prime Minister and Union President Senator William Robinson.

The Comrade Leader, a man who has never forgotten his working-class ties reminded the large crowd of the struggles which he and his colleagues had to wage against the Colonial Office and the Plantocracy in order to get recognition for their Union, the ATLU.

He also made mention of the progress which Antigua and Barbuda was making economically, even

in these times of recession and inflation.

He said that Antigua was considered by many of the donor countries as one of the more developed of the small Third World countries.

Senator Robinson called on the members of the Union to re-dedicate themselves to their union. He said that the spirit of endeavour needed to be re-kindled and that members support their Union which

was doing its best for them during this difficult period.

Also in the march were many governments ministers and other Union officials. A heartening sign for the Labour Movement was the very high percentage of young people who took part in the celebrations and the march.

Thousands eventually ended up at Fort James for the usual Labour Day picnic.

ANTIGUA AND BARBUDA

ATLU QUESTIONS GOVERNMENT POLICY ON UNEMPLOYMENT

St. Johns THE WORKERS VOICE in English 25 May 85 p 1

[Text] The A.T & L.U. is becoming more and more concerned about the job security of its members. Since the policy introduced by Jamaica with its two-tier monetary system and the Trinidad Government placing Caricom products from the O.E.C.S. countries under license, the Union has witnessed the closure of such factories as the Biscuit & Confectionery factory, Lolly-Togs Garment Factory, and others culminating in the loss of jobs of hundreds of Union members.

The Union has expressed its concern to Government on many occasions, but it seems as if the Government is unable to do anything to arrest the situation. Quite recently this newspaper expressed its concern publicly in a headline article captioned "Stop the Lip Service". This stemmed from the fact that many employees were laid off by the A.A.I. Factory (Antigua Appliance Industries Ltd.) because of the Trinidad & Tobago licensing system which caused the Company to lose 62% of its export market. Management of A.A.I., in numerous letters, appealed to the Ministry of Economic Development for local protection of its products. Lip service seems to have been offered.

The A.T. & L.U. has just completed negotiations with the Company on behalf of its employees. Management grudgingly granted the workers a small all-round increase, but made it quite clear to the Union and the employees that they could



not at least get its products protected locally so that they could at least take up some of the slack created by the loss of the Trinidad market.

Last week the Union was informed by Management that there would be a further laying off of workers because of recent happenings. Apparently the Ministry of Labour has introduced a housing scheme for highly paid workers in the society, (more on this later) where two model houses have already been built on the Airport road. The Management of A.A.I. and its entire work force went to examine the houses and to their horror found them furnished with imported refrigerators and stoves and even foreign-made furniture. Needless to say, the workers were extremely upset and could not imagine how a Government could care so little about their jobs so that their housing scheme could be allowed to import everything including the galvanize when there is a local factory, and not too far from these model houses.

The A.T. & L.U. would hope that it is not the intention of the Minister of Labour to allow the foreign owners of this housing scheme to equip all the houses with imported appliances and furniture. It would result in the loss of many more jobs for Antiguan once again. Some time ago a low income housing scheme initiated by Government for lowly paid workers was equipped with locally made beds, stoves and refrigerators. Why now imported appliances for the higher paid categories of workers? Is it that inspite of what we preach, anything locally produced is good enough for the lowly paid workers, but those who can repay \$700.00 per month and make a down payment of \$10,000.00 cannot be expected to put up with locally made appliances? They are in a higher class. Obviously!

The Minister of Labour has already brought some old shacks to this country from England; now he is allowing this company to build what looks like crates

made to endure freezing winter temperatures here in this tropical country of ours. Or maybe the thinking is that if people can pay \$700.00 a month for cars then they can afford \$700.00 monthly for one of these houses, then they can afford to install air-conditioning units in them.

Whatever the reasons, workers continue to be laid off because of a policy or non-policy of Government.

CSO: 3298/791

ANTIGUA AND BARBUDA

BRIEFS

LESTER BIRD TO PRC--The Deputy Prime Minister of Antigua and Barbuda Hon. Lester Bird is to lead a six-man delegation on an official visit to the People's Republic of China next month. The delegation will be in Peking at the invitation of the Chinese government, to negotiate the terms of a new trade agreement between the two countries. The People's Republic of China is one of the countries with which Antigua and Barbuda has established diplomatic relations since independence in 1981. The full delegation that will be visiting Peking has not yet been announced, but informed sources say that Cabinet Minister Hon. Hugh Marshall will be in the party. The delegation is expected to leave for Peking on June 20. Commenting on the visit, a government official said that Antigua has received substantial assistance from the government of the People's Republic of China, and the proposed signing of the trade agreement will serve to further strengthen the relationship between the two governments. [Text] [St. Johns NATION'S VOICE in English 22 May 85 p 6]

CSO: 3298/791

BOLIVIA

UNIVERSITY ELECTIONS SHOW STRONG CENTER RIGHT

La Paz ULTIMA HORA in Spanish 13 May 85 p 3

[Text] Considering the fact that there are 40,000 students registered at the Greater University of San Andres [UMSA] and, in addition, that because of the current open admission system this figure could slide down to 30,000 as a result of the high dropout rate, and finally considering that 14,421 ballots were deposited in the elections for FUL [Local University Federation] officers that took place a few days ago, the first thought that occurs to one from this data is that student voter abstention is a significant factor at the university. It is revealing of a well known indifference or perhaps a feeling of frustration and lassitude among the majority of the student body. A turnout of 14,421 out of 30,000 means an abstention of 52 percent based on a registration of 40,000. In any case, it is clear that more than half of the students do not vote. This is due, to a large extent--despite the various forms of pressure exerted to insure that nobody would fail to vote--to the lack of attachment to the university by a large part of the student body, as well as the political radicalization imparted at the university which relegates the academic study and research function to a secondary role.

Revealing and symptomatic of what is happening in the country just 2 months away from the presidential elections are the political undertones of these UMSA election results that connote new trends in the student body.

First of all, the non-Marxist parties received a large vote. Since 1970, year of the so-called "university revolution", rightist and center groups had descended to zero in university election results. This time, a vigorous student movement has arisen and won second place, notwithstanding what the manipulators of disinformation have said in an attempt to detract from the reality of the current electoral scene, after having committed the reprehensible outrage of denying voting rights to one of the major tickets, the one that ran under the A-Pre sente banner, citing gross pretexts for this action without any legal basis and solely on arbitrary grounds.

The void votes totalled 2,824, taking second place after Urus which received 4,908 votes. No one fails to realize that the void votes would have belonged to A-Pre sente. Many of the void votes (a total of 946) must be assigned objectively to this ticket. Furthermore, there is no doubt but that a strong contingent of abstentions came from supporters of this faction, which, having

been vetoed by the current FUL, decided not to run in the election. Had the A-Presente ticket run with the same rights as all the other tickets, a considerable body of voters, who later abstained, would have increased the election results for this university faction. The measure that took this university ticket out of contention reveals the antidemocratic wilfulness, that denies all pluralism, attributable to the group controlling the university.

Urus has won again with almost 5,000 votes. This is one-sixth of the 30,000 registered voters who have not dropped out of the university. In any case, a minority, but still a strong, consistent minority that identifies with POR [Revolutionary Workers Party] and Trotskyite thinking.

The MNRH [Historic Nationalist Revolutionary Movement] ticket fell way behind with only 420 votes. Even fewer were the votes received by the Christian Democratic faction--only 273 votes. United Left (Izquierda Unida), composed of the PC [Communist Party], MIR [Movement of the Revolutionary Left] and others, was third with 2,125 votes. The T-Sur [T-South] Socialists that won the Sucre elections, obtained 1,344 votes. The voting in favor of the indian factions was scarcely significant.

A good indicator for the future is a comparison of the 2,000 to 3,000 votes that are possibly identified with ADN [Nationalist Democratic Action] and the 420 votes won by the MNRH ticket.

After this overview of the election, the conclusive evidence shows that a strong univeristy movement has taken sides for the first time with the center rights positions. A-Presente, without any doubts, is supportive of General Banzer's candidacy to the presidency. There is now a body of youth in the university that has broken with dogmatic Marxism, that has rejected the idea that historical materialism is the "scientific" formula by which to interpret reality, that has disagreed with the extreme politicalization of university life, that believes in democracy, and that has faith in Bolivia's recovery through work and legality.

It is to be regretted that so many students are still following Trotskyite guidelines, aiding and abetting violence, and blindly pursuing ideas that have been displaced and are ineffectual in the present world. A revolutionary Utopianism is leading these students down the path of negativist idealism and making them assume a radical posture of incomprehension and insensitivity toward all that means Christian humanism, inherent to a positive belief in the values of family, country and the freedom of the spirit.

12674

CSO: 3348/711



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## BRIEFS

PETROLEUM EXPLORATION FUND--Cochabamba, 20 May--Workers of the Bolivian Government Oil Deposits [YPFB] will set up a common fund to promote prospecting of oil fields in the Chapare Tropical area. Trade union leaders who are boosting this action indicated that they are trying to accumulate a \$1 million fund based on contributions from district workers. The money will be used to set up prospecting teams to be sent to the tropical region. They will begin work immediately. The policy of assistance to YPFB entails a joint effort of workers and technicians to search for new oil fields at no cost to the company. The worker's initiative means that it will be the Cochabamba workers and not the government who will make it possible to locate new exploitation areas. The workers said that if they had to wait for the government "to take pity on Cochabamba", they would accomplished nothing, insofar as since assuming office Dr Siles has only made promises that have never materialized. The workers recalled that on 14 September 1984, Dr Siles promised that he would instruct YPFB management to conduct prospecting operations, yet, notwithstanding this, due to a lack of startup capital, the project was postponed until 1987 when, they were told, Cochabamba would receive priority attention. However, the workers said that they could not wait until then and that in order to protect their source of employment, they had decided to collect funds to set up the teams. [Text] [La Paz PRESENCIA in Spanish 21 May 85 p 7] 12674

TRAVEL REPRESENTATIVES TO USSR--La Paz, 20 May 85--Seventeen Bolivian travel agency representatives are going to the USSR at the invitation of INTOURIST, the Soviet Tourism Organization, and the Soviet airline Aeroflot. The Bolivian delegation will be going to Moscow and Leningrad for the first time in 40 years of relations. It will establish commercial contacts with Soviet officials for the purpose of beginning and developing tourism between Bolivia and the USSR. The 17 Bolivian representatives will be visiting the principal tourist centers in the Soviet Union for 8 days. Aeroflot representative Valey Smirnov and the cultural attache of the USSR embassy in Bolivia, Yevgenniy Boikov, officially presented 17 airline tickets and visas today to the members of the delegation at Aeroflot offices. It will depart on 21 May. [Excerpt] [La Paz HOY in Spanish 21 May 85 p 4] 12674

PLATA BASIN RAIL CONNECTION--La Paz, 21 May--The chief of the Joint Bolivian-Argentine Commission, Edgardo Pattomo, has given assurances that Argentina will complete the rail link joining the Plata and Amazon basins. A short and final link will complete the railway between Santa Cruz and Trinidad Departments in eastern Bolivia. Its completion is expected this year. The extension is more than 400 km in length. Currency exchange differences between Bolivia and Argentina had prevented the speedy completion of the project which dates back more than 10 years. [Text] [La Paz ULTIMA HORA in Spanish 21 May 85 p 5] 12674

BRAZIL

NATION'S ROLE IN NEW ERA OF GLOBAL POWER ASSESSED

Sao Paulo AVIACAO EM REVISTA in Portuguese Apr 83 pp32-36

[Text] We are on the threshold of a new era, encompassing an important period of world geostrategic history. Changes of great depth will be added to a world guided by the inherent multipolarization which is emerging to create a new international environment and a new process of global relations.

The individual capacity of each nation and the collective unity of each group of nations in adapting to the new reality will be the main strengthening factor or even that leading to the emergence of new powers on the world scene. The ability to understand exactly the progress of events and their effects on the world theater will have an immediate result in the pursuit of the geopolitical future of each country and in the importance that they will have in a world which is more and more forgetful of the hegemonies imposed by a war which exhausted its strength in the great cleansing storm.

The insistence and obstinacy by certain nations to live in the past will clash with reality and the determination of certain national entities (or even transnational) in achieving a key position in the future of a multipolar world where the will of the international protagonists of other times will be limited by the will of the regional superpowers.

Without the shadow of a doubt, our decade will be the initial framework of the consolidation of a new global reality, where the pillars of that new era, the foundation of that new world, will be definitively cast and firmly rooted, making any significant changes for the future that are being written in the present, irreversible.

The decadence of various centers of power, in that aspect, will be only a part of a multipolar process of an irreversible nature that will lead certain nations to the grade of regional superpowers with a real inclination toward becoming protagonists on the world scene.

Brazil certainly will be one of those nations, due not only to its global aspirations and its immense potential, but also because of its planned and well-traced strategy and national determination, with which its natural historic vocation for the polarization of global power, is made clear in its four main aspects: Political, military, economic and psychosocial.

## Multipolarization and its Impacts

The end of World War II in 1945 marked a new monopolar reality of global power, and, therefore, of strategic power.

The gigantic industrial power of the United States had placed America in a position of world leadership in a picture in which the traditional Europe found itself in ruins and the Soviet Union still harbored its expansionist aspirations.

After almost 40 years, the international environment changed significantly: The nation of democracy initiated a process of relative decline, Japan emerged as an independent economic pole and West Europe encountered success in its process of integration (At least in large part); the Soviet Union rose as a superpower, while new transnational and transideological personalities and transgovernment persons appeared. The complexity of world relations was multiplied, added to a system which is moving in great steps toward a new reality of power based on new pillars and exotic structures, which regardless of the will of the present world protagonists, will move on its own path and exercise an important role on international and inter-polar relations.

At this time the key word is uncertainty. The directions of events are changing more and more from the way the present leadership wants them, placing them constantly in check, in the final analysis weakening their strategies and their decisions. The capacity for influencing events on a regional level is deteriorating every day, favoring the transnational entities and the polarization of small superpowers of local nature. Reciprocal interdependence provides a new influence to be weighed in the strategic balance, turning former colonizers into colonies in their trade and political relations with the new powers.

Although the regional superpowers at first will not have the same economic capacity of Europe and Japan, they will have an impressive power. Those entities will reach their level on the international system because of their economic growth, based in certain cases on natural resources and a decisive advance in the field of industrialization, thanks to the investments and the transfer of technology from the industrialized countries of the West. The problems of national security become much more complicated as a result of the spread of power to the various regions of the world, as well as because of the presence of many problems laden with conflict. The capacity of the Soviet Union and the United States to influence the behavior of regional superpowers has diminished, even though the main regional protagonists continue to depend on the United States and the USSR for some of their most advanced capabilities.

## The Spread of Military Power

The rapid growth in the power of defense of the main regional protagonists will create potential threats to the interests of the superpowers and even to their military intervention forces, despite the recent conflict for the possession of the Malvina Islands (at this time Falklands) having

demonstrated that we are still undergoing a moment of transition, where the former powers still actually have a relative superiority with respect to new rising poles of power. Moreover, the proliferation of high technology weapons, nuclear proliferation and the rapid assimilation of advanced military technologies, to cite only a few of the more obvious examples, is quite obvious.

In that respect, a minor competition among South American nations may be considered healthy; integration and not continuous confrontation being the key for a fast and effective polarization of the principal countries of the continent in their highest aspirations. Brazil and Argentina, in a broad sense, have already found their way, however Peru and Venezuela are actively sharing in the onus and the benefit of that new reality that history has begun to write.

Brazil is on the right path and is seeking political stability and an accelerated economic development. There remains, however, a greater attention that must be paid to its security in the broadest sense, including not only a well-planned reequipment of its armed forces, but also daring programs of development and creation of a national technology aimed at our present and future needs. It is not necessary to repeat how much technological superiority guided the conduct of the Malvinas War between Argentina and England. The headlong development of science and technology have a significant influence on the fighting capability of armies, in the ways of carrying out certain actions of war, in the degree of training of the soldier, and in all the decision-making procedures, making them also indispensable for a real national independence and political sovereignty.

Brazil already has a respectable technological equipment inventory in various sectors of the military area, needing to improve know-how in other areas and in assimilating as much as possible all the advanced technologies it can and not only using them on a domestic level but also passing them on in exchange for important credits to other nations in the Third World.

Brazil's march must be slow, gradual and well planned, but it must never veer from its most elementary objectives, which are aimed not only at the polarization of the country as a strong and viable pole of global power, but also at its total independence and autonomy.

#### Present Programs and their Possibilities

The South America of our times is undergoing a situation which is quite different from that which our countries enjoyed in the past. Through the ties of multipolarization, different nations of the continent have also been seeking the growth of their economies and the strengthening of their military organizations by means of the purchase of great amounts of military material abroad. The fundamental difference among these nations resides in the fact that the majority of them have not developed or assimilated their own technology, making them, despite the fact that they appear to be strong, visibly weak in terms of security. Brazil and Argentina, in this respect,



despite the fact that they also acquire equipment abroad, seek not only the simple reequipment of their armed forces, but also an independence in the sector of military materiel in the example of what the France of De Gaulle did in the recent past.

In that aspect, various programs and projects are underway in the technological centers of the country, passing on know-how to private industries interested in entering that important market represented by military equipment. Brazil has already built a significant part of its needs in combat tanks, warships, air transports and ground attack aircraft.

Various projects are underway, aimed at providing self-sufficiency in military materiel by the end of the century in an extensive list, which include missiles, rockets, combat tanks, surface vessels, submarines and aircraft.

#### Combat Tanks

On an international scale, Brazil has already reached level three in technology (of eight possible points, where one is full capacity of design and production). In that category, it has at this moment different vehicles under production and in use in several nations. Already on the assembly lines are armored cars such as the EE-3, EE-9, EE-11 and EE-17. ENGESA [Specialized Engineers, Inc.], the manufacturer of those products, is seeking to expand its share of the market with sophisticated torpedoes (of the British Tigerfish type), 105mm and 130mm cannon and other naval and army components. Bernardini Company, its competitor, produces the M-41B light tank (modernization of the M-41 tanks used the army), the missile tank XLF-40, the bridge-laying tank XLP, the X-1A2 light tank, and it is preparing to produce a medium tank of approximately 30 tons, which will become Project X-30, although there are several problems still weighing over it. Different electronic and mechanical components for the optimum operation of those vehicles are under production or being designed.

#### Ships and Submarines

The Rio de Janeiro shipyards, where the main naval industries of the country are concentrated, are undergoing rapid expansion and already have the capacity for producing various important naval units such as frigates, destroyers, submarines and helicopter and aircraft carriers under license. Of own design, there is already the technology for corvettes and small patrol units. A recent agreement with Spain in that area, effective as of 1983, should provide a significant capacity for the assimilation of technology in that sector.

#### Aircraft

Despite the varied production of light aircraft for civilian and military use by EMBRAER [Brazilian Aeronautics Company] that company is introducing another three new designs simultaneously: The advanced trainer T-27 Tucano; the transport and patrol aircraft EMB-120 (which also serves for



AEW missions, (like the English Nimrod) and the tactical support AMX fighter. There are also studies for expansion for the possible construction under license of a high performance mach 2 fighter to be coproduced in Brazil (Program F-X).

#### Missiles and Rockets

It is probably the most daring program underway in the IAE [Space Activities Institute], one of the institutes of the CTA [Aerospace Technology Center], which has as its objective two parallel programs (in the example of those carried out by the United States, the USSR and France), one of an exclusively space interest for the purpose of providing the capability of launching artificial satellites into earth orbits, and another with exclusively military purposes.

The programs are already in the phase of Sonda III, Sonda I already having given origins to the X-20 military rocket, and Sonda II to the X40. The initial objective is the V.L.S. (Satellite Launch Vehicle) derived from Sonda IV, which in the civilian field will be the first satellite launcher and in the military field, an intermediate range ballistic missile with a nuclear capability, possibly in operation by 1991.

In the field of bombs and small tactical missiles, there are designs for various intelligent weapons, including weapons which are the equivalent of the American Sidewinder (or the French Magic), the American Maverick or the French SAM Roland, among others.



**Key:**

1. South America: Acquisitions program for 1982
2. Venezuela: 2 T-209 submarines, 4 Lupo frigates, 2 C-130H-30 aircraft, 2 Bell 412, 24 F-16 fighters (F-100 Fan motor).
3. Brazil: 38 155mm cannon (Korea), 3 submarines, 12 corvettes, 60 XIA2, 240 M-18A, 1.57mm RCL.

4. Colombia: Heavy mortars, 4 FV-1500 corvettes, 2 C-130H.
5. Ecuador: 1 destroyer, 6 corvettes, Exocet SSM missiles, A-37B aircraft.
6. Peru: 50 48A2 tanks, 100 MICV Schutzen Panzer 12.3, 150 M-113 15 light armored T-6613, 10 APC T-6614, 2 Fresland destroyers, 2 Lupo frigates, 3 T-209 submarines, 3 PR-72P patrol boats with Exocet SSM, 6 patrolboats, 14 MB-339 jets, 6 C-130, 18 TA-37 2 L-100-20.
7. Uruguay: 15 light Scorpion tanks, 5 1A58 Pucara aircraft, 2 S-2G Tracker.
8. Argentina: 57 Kuerassier antitank cannon, 10 SAM Roland, 10 MB-339, construction under license of various land and naval units.
9. Chile: 50 AMX-30 tanks, 2 T-209 submarines, 12 Mirage fighters, 50 Aviojet training and ground attack aircraft.

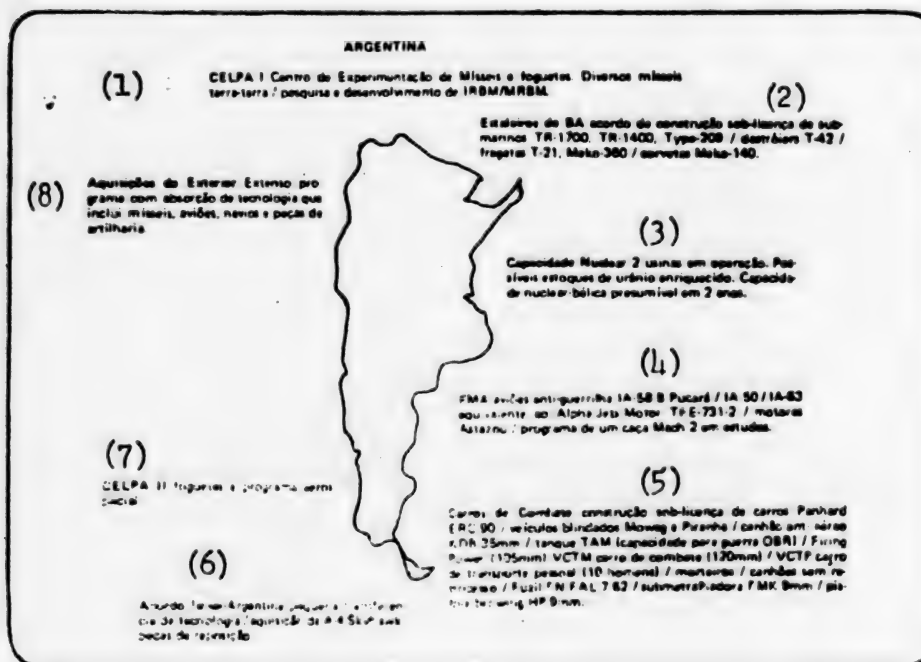


**Key:**

1. NATO coaxial X-51 7.62 Mekanika machinegun
2. AVIBRAS rockets, bombs, ground to ground missiles, air-to-air missiles, air-to-ground, SAM, anti-tank.
3. Barreira do Inferno Rocket Testing Center.
4. Rio de Janeiro Shipyards. Brazil-Spain agreement (BAZAN) for producing warships, patrol ships, Niteroi Class frigates, corvettes, submarines being designed in both deisel and nuclear types, and helicopter and aircraft carriers being planned.
5. IPEN-CNEN [Institute for Energy and Nuclear Research-National Commission for Nuclear Energy] stocks of pure uranium (yellow cake).
6. Bernardini: M-41B, X-30 missile launcher tank, X-1A2 (20 tons 90mm cannon), XLP bridge layer.
7. ENGESA [Specialized Engineers, Inc.]: Armored EE-17 Sucuri vehicles (105mm and 18 tons), EE-11 Urutu (15 men), EE-9 Cascavel reconnaissance car (90mm), Jacara patrol reconnaissance car, Torpedoes and components for navy, long-range cannon plans--105 and 130mm; plans for torpedoes like the Tigerfish.

8. USIMINAS [Minas Gerais Iron and Steel Mills] and ELETROMETA:: Propulsion for corvettes; HY-80 steel for submarine hulls.
9. D.F. Vasconcellos: Laser telemetry and periscopes under development.
10. EMBRAER [Brazilian Aeronautics Company]: Spare parts for various aircraft T-27/AMX/AT-26/EMB-110/111/121/120 Patrol, transports, AEW, F-X Program under study; fully qualified for F-5E and Mirage III components of middle-level technology; Grade 4 in technological capability.
11. CTA--Aerospace Technology Center: Development in the nuclear, laser, chemical, physics, dynamics, rockets, explosives and other areas.
12. HELIBRAS [Brazilian Helicopters]: Esquilo and Lama Helicopters (Gaviao)
13. Alcantara Special Center.





**Key:**

1. CELPA I [Rocket Testing and Launching Center]: Experimental missile and rocket center, various ground-ground missiles; research and development of IRBM/MRBM.
2. Buenos Aires Shipyards: Agreement for the construction under license of TR-1700, TR-1400 Type 209 submarines; T-42 destroyers, T21 frigates, Meko-360, Corvettes Meko-140.
3. Nuclear Capability: Two powerplants in operation. Possible stocks of enriched uranium. Nuclear military capability presumable in 2 years.
4. FMA 1A-58B Pucara antiguerrilla aircraft, 1A-50, 1A-63 equivalent to the Alpha Jets Motor TPE-731-2; Astazou motors; program for a Mach-2 fighter under study.
5. Combat tanks: Construction under license of Panhard ERC90 tanks; Mowag and Piranha armored vehicles; KDB 35mm antiaircraft cannon; TAM tank (capability for OBR war [presumably NBC protection]; fire power (105mm) VCTM combat tank (120MM); VCTP personnel carrier tank (10 men); mortars; recoilless cannon; FN FAL 7.62 Rifles; FMK 9mm submachineguns; Browning HP 9mm pistol.
6. Israeli-Argentine agreement for minor transfer of technology; acquisition of A-4 Skyhawks; spare parts.
7. CELPA II: Rockets and aerospace program.
8. Acquisitions abroad: Extensive program with assimilation of technology, which includes missiles, aircraft, ships and artillery pieces.

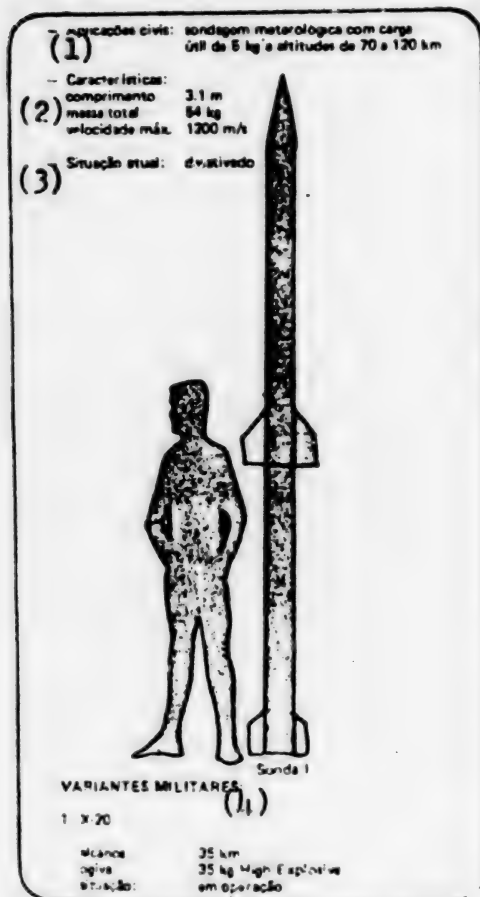
# Missiles and Bombs in Operation or Under Development

Nomenclature	Type	Range	Warhead	Guidance	Status
X-20	SRBM	35km	35kg	NG	In operation
X-40	SRBM	68km	146kg	NG	In operation
X-40	SRBM	60km	146kg	na	being tested
S-30	MRBM	300km	150kg	na	being tested
S-31	MRBM	300km	150kg	na	being tested
S-322	SRBM/MRBM	150km	150kg	na	being tested
S-300	MRBM	300km	150kg	na	in project stage
S-311X	MRBM	350km	150kg	na	in project stage
S-40	BM	600km	300kg	na	in project stage
S-410	MRBM	600km	400KtN	na	in project stage
SLV Variant	IRBM	4000km	400KtN	na	Under study
SBAT-37	FNG	na	na	NG	in operation
SBAT-70	FNG	7.5km	4kg	NG	in operation
SBAT-70/Seta	Bazooka	0.5km	4kg	na	being tested
SBAT-127	FNG	15km	20kg	NG	in operation
MAA-1 Piranha	air to air	10km	4kg	IV	being tested
MAS-1 Carcara	air/ground	10km	na	TV	project underway
MSA Grd/Air	na	na	na	Radar	in project stage
MAT-1	antitank	2km	3kg	Wire	being tested
C-Bombs	penetration	na	50kg	Sensor	in operation
Bomb 120 kg	frag.	na	25kg	NG	in operation
Bomb 250 kg	frag.	na	50kg	NG	in operation
Bomb 375 kg	incendiary	na	75kg	NG	in operation
Bomb 250 kg	incendiary	na	50kg	NG	in operation
Bomb 500 kg	frag.	na	100kg	NG	being tested
Bomb 500 kg	incendiary	na	100kg	NG	being tested

## Notes:

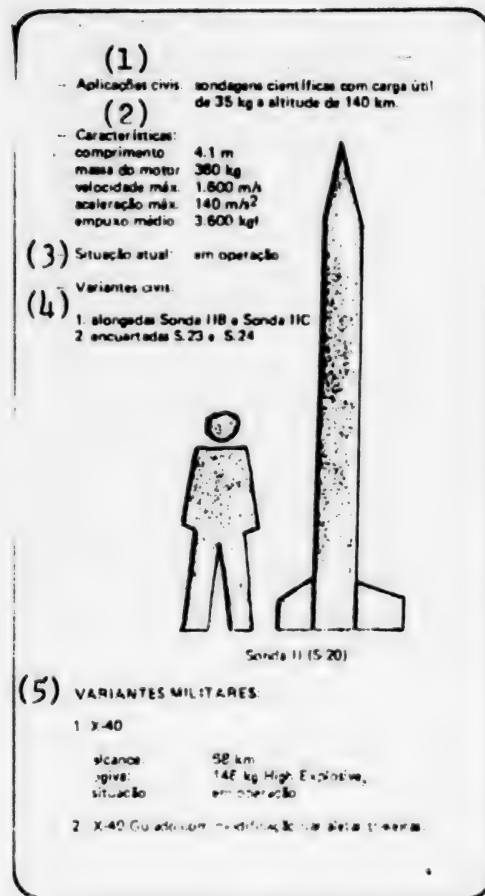
Estimated figures are maximum estimates

- SRBM - Short Range Ballistic Missile
- MRBM - Medium Range Ballistic Missile
- IRBM - Intermediate Range Ballistic Missile
- FNG - Unguided Rocket
- na - Not evaluated
- Kt - Kiloton (thousands of tons of TNT)
- N - Nuclear
- NG - Unguided
- IV - Infrared (heat seeking)



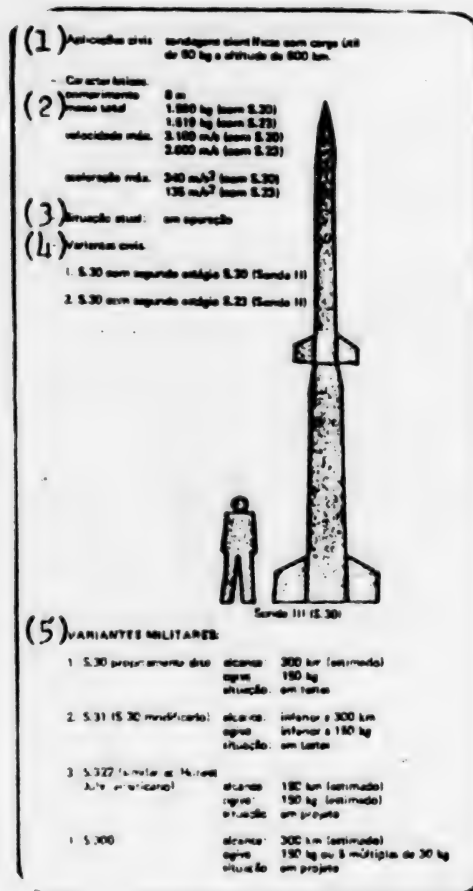
**Key:**

1. Civilian applications: Meteorological probe with a useful load of 5 kilograms at altitudes of from 70 to 120 kilometers.
2. Characteristics:  
 Length: 3.1 meters  
 Total weight: 54 kilograms  
 Maximum velocity: 1200 meters per second
3. Present status: Deactivated
4. Military variant
  1. X-20  
 Range: 35 kilometers  
 Warhead: 35 kilograms of high explosive  
 Status: In operation



**Key:**

- |                                         |                                                      |
|-----------------------------------------|------------------------------------------------------|
| 1. Civilian applications: Scientific    | 5. Military variants                                 |
| 2. Characteristics:                     | 1. X-40                                              |
| Length: 4.1 meters                      | Range: 68 km                                         |
| Weight of engine: 360 kg                | Warhead: 146 kg HE                                   |
| Max. velocity 1,600 m/s                 | Status: In operation                                 |
| Max. acceleration: 140 m/s <sup>2</sup> |                                                      |
| Average thrust: 3,600 kgf               | 2. X-40--Guided with modifications in the rear fins. |
| 3. Present status: in operation         |                                                      |
| 4. Civilian variants                    |                                                      |
| 1. Elongated Sonda IIB and Sonda IIC    |                                                      |
| 2. Shortened S.23 and S.24              |                                                      |



**Key:**

1. Civilian Applications: Scientific probe with a useful load of 60 kg to altitudes of 600 km.
2. Characteristics
 

Length:	8 meters
Total weight:	1,560 kg (with S.20) 1,519 kg (with S.23)
Maximum velocity:	3,100 m/s (with S.20) 2,000 m/s (with S.23)
Maximum acceleration:	340 m/s <sup>2</sup> (with S.20) 135 m/s <sup>2</sup> (with S.23)
3. Present status: In operation.
4. Civilian variants
  1. S-30 with an S-20 second stage (Sonda II)
  - S-30 with an S-23 second stage (Sonda II)



## 5. Military variants

### 1. S-30 by itself

Range: 300 km (estimated)  
Warhead: 150 kg  
Status: Undergoing tests

### 2. S-31 (S-30 modified)

Range: Less than 300 km  
Warhead: Less than 150 kg  
Status: Undergoing tests

### 3. S-322 (Similar to American Honest John)

Range: 150 km (estimated)  
Warhead: 150 kg (estimated)  
Status: In project stage

### 4. S-300

Range: 300 km (estimated)  
Warhead: 150 kg or 5 30-kilo warheads  
Status: In project stage



**Key:**

1. Civilian applications: Probes, military use and development of the SLV [Satellite Launch Vehicle]. Useful load capacity of 300 kg to an altitude of 1,000 km.

2. Characteristics:

Length: 11 meters  
 Total weight: 7,000 kg  
 Maximum velocity: 4,500 m/s  
 Maximum acceleration: 200 m/s<sup>2</sup>

Present status: Project underway

3. Military Variants:

**S-40**

Range: 300 to 600 km (estimated)  
 Warhead: 300 kg HE/400 Kt nuclear  
 Present status: Project underway

**S-410 (similar to U.S. Pershing)**

Range: 300 to 600 km (estimated)  
 Warhead: 400 Kt / 5 x 50 Kt nuclear/ HE  
 Status: In project stage

Civilian applications: Launching of 150-kilogram satellites into geostationary orbits with apogee.

(1) - Aplicações civis: lançamento de satélites de 150 kg em órbitas geoestacionárias com apogeu de 550 km (98° de inclinação). Satélites de 100 kg em órbitas circulares de 700 km de altitude e inclinações de 0° a 30°.

(2) - Características:  
comprimento: 16.59 m  
peso de lançamento: 40 toneladas  
nº de estágios: 4 (1º estágio consiste de 4 motores S.40)

(3) - Situação atual: projeto em andamento



V.L.S. (1)

#### VARIANTES MILITARES: (4)

1. Não existem ainda projetos desenhados ou em andamento. Provavelmente o programa V.L.S. (Veículo Lançador de Satélite) dará origem, pelas suas características, ao míssil IRBM (Intermediate Range Ballistic Missile) com carga múltipla equivalente a versão militar do Sonda IV, S.410, 5 X 50 Kt nuclear ou uma ogiva singular de maior capacidade (provavelmente 400 Jt nuclear). Não haverá, com toda certeza, versões militares desse míssil, transportando ogivas convencionais HE devido ao elevado custo do mesmo, só pago com um alto poder destrutivo (relação custo-destruição). O alcance do míssil estará na ordem de 1.500 a 4.000 km.

#### Key:

1. S.L.V.--Satellite Launch Vehicle
2. Civilian applications: Launching of 150-kg satellites into geo-stationary orbit with an apogee of 550 Km (98 degrees inclination); Satellites of 100 kg into circular orbits at 700 Km altitude and inclinations of from zero to 30 degrees.

Characteristics:

Length: 16.59 meters  
Launch weight: 40 tons  
Number of stages: 4 (First stage consists of four S-40 engines).

3. Present status: Project underway.

4. Military variants:

Because of its characteristics, the program will give origin to the IRBM (Intermediate Range Ballistic Missile) with multiple warheads similar to the military version of the Sonda IV, S-410, 5 x 50 Kt nuclear or a single warhead of larger size (probably 400 Kt nuclear). Most assuredly there will not be a military version of that missile carrying conventional high explosive warheads due to the high cost of the missile. It only pays with a high destructive power (cost-destruction ratio).

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BRAZIL

SARNEY HEIR TO NEW REPUBLIC: FROM POET TO PRESIDENT

Rio de Janeiro MANCHETE in Portuguese 4 May 85 pp 103-109

[Article by Lorem Falcao: "Tancredo-Sarney: Appointment With History"]

[Introduction by Luiz Orlando Lemos]

[Text] The "dobradinha" [literally, stew] that formed the front line of the New Brazilian Government--Tancredo Neves and Jose Sarney--was the practical result of a much-desired consensus. Men who fought in opposite camps during the military regime, Tancredo and Sarney were--in the composition of the slate that carried them to power--a living demonstration that conciliation is possible. Six years ago, on a momentous occasion (the beginning of the Figueiredo government, which promised to widen Geisel's gradual liberalization), journalist Murilo Melo Filho [text incomplete] Tancredo and Sarney--senators, respectively, for the MDB [Brazilian Democratic Movement] and ARENA [National Renewal Alliance]--for them to analyze the situation and express their expectations. One cannot speak of political premonition; but it would be considered proper to think in terms of a journalistic preview of events that--years later--would come to pass. For these two politicians, political adversaries without being enemies, were called upon by the nation to become running mates and compete, before the public and in the Electoral College, for the right to govern 130 million Brazilian citizens. Now one of them is gone. The other, in keeping with the constitution and with integrity, will carry on their work. The combination lives on.

Heir to New Republic

When he learned that Tancredo was ill and would not be able to take office, the feeling was that of a weight far beyond his strength. But, like all Brazilians, he shared the optimism of the physicians: Tancredo would soon be well; he would take office in one week, at the most. The week passed, the crises continued and it became certain: Tancredo's New Republic would rest upon the shoulders of Jose Sarney. "I was struck by lightning," said Sarney, in conversation with congressmen, repeating a phrase of Pedro Aleixo, when the latter was prevented by the military from becoming president in 1969.

In the life of Tancredo's heir there have been episodes that do not fit perfectly the image commonly held of him: the supposedly acquiescent party



chairman who always said yes to authoritarian rulers. One of the episodes was during his student days. When the interventor [governor appointed by the president] appointed by Getulio Vargas entered the theater in Sao Luis, Jose Sarney led the chorus: "Down with the dictatorship!" He was arrested. When Juscelino Kubitschek, already deprived of his political rights, visited Maranhao, Governor Jose Sarney received him all with honors. It did not please the military in power and, in protesting on radio and television publication of AI-5 [Institutional Act No 5], he showed that his support for the 1964 movement was not unconditional. When the government party took steps that he did not consider proper, Jose Sarney, chairman of the PDS [Social Democratic Party], shouted: "I resign!"--and joined the Democratic Alliance.

He answered those who accused him of betrayal in joining Tancredo by characterizing the concept that "to disagree is to betray, to agree is a moral obligation" as "the very law of political amorality." His former and present fellow party members now believe that it was in the interests of state administration that the then Governor Jose Sarney drew close to President Castelo Branco in 1965 and later became one of the strongmen of the government party. The support, however, encountered resistance in his very personality.

It was in this context that the Juscelino Kubitschek episode occurred, when the former president, already deprived of his political rights, was asked to speak at the graduation of economics students in Sao Luis. In receiving him, Sarney had no fear of facing the wrath of the military. Today he still takes pride in having been consistent with his statement against AI-5 shortly after its publication in 1968: he never used it to dismiss, retire or deprive of political rights anyone, whoever he may have been.

After the initial uneasiness that his attitude provoked, the wrath of the military subsided and Sarney's Maranhao government eventually received the full support of federal agencies. Elected senator in 1970, he ended up introducing Constitutional Amendment No 11, which replaced AI-5 with "constitutional safeguards." Soon thereafter he became the national chairman of the ARENA, the government party, and remained in that post after the party reform occurring during the Figueiredo administration, when the PDS emerged.

But he felt forced to leave because of the crisis that occurred last year after Figueiredo refrained from coordinating the choice of a candidate to succeed himself. Seeing that the PDS was divided because of the candidacies of Paulo Maluf, Mario Andreaza, Aureliano Chaves and Marco Maciel, Sarney proposed holding primary elections within the party. Whoever was chosen by the rank and file would be taken to the Electoral College and the others would commit themselves to supporting him.

Aureliano, Andreaza and Maciel thought it was a good idea but Paulo Maluf, sensing that the rank and file would not support him, was against it and lined up votes in the National Executive Committee, getting enough of them to reject the idea of primaries. Sarney felt that a victory for Maluf would lead to the party's ruination and, at the outset of the executive committee meeting, declared emotionally:

"It is the responsibility of the party chairman to guarantee its unity. As I am no longer able to guarantee such unity, my only recourse is to resign the position of chairman."

From that moment on, Sarney had already practically "jumped the fence." Shortly thereafter he joined the Liberal Front of Aureliano Chaves and Marco Maciel, and the discussions that led to formation of the Democratic Alliance with the PMDB [Brazilian Democratic Movement Party] to assure Tancredo Neves' victory in the Electoral College indicated him to be the logical candidate for vice president.

There were reactions of displeasure in both the PDS and the PMDB. Paulo Maluf, his supporters and even some of Figueiredo's cabinet ministers accused him of betrayal. He replied: "What I find deeply perplexing is the acceptance and use, by the government itself, of this thesis, as if it were the absolute truth, that politicians who support the party in power must always be what journalist Edson Vidigal called 'the amen trumpets.' They thus repeat that to disagree is betrayal and to agree is a moral obligation. But such a law is the law of political amorality itself. Politics is not something to be conducted among friends."

Within the PMDB, resistance to his name as a candidate for vice president came from persons who saw him as a vehicle for continuation of arbitrary rule. For this reason he was very uncertain about the outcome of the party's convention on 12 August last year. On the final ballot he had 543 votes as a candidate for vice president and Tancredo Neves had 656 as candidate for the presidential nomination. He accepted the difference as "the result of a process of political accommodation," because "no agreement is always accepted by everyone."

His baptismal name is Jose Ribamar Ferreira da Costa, son of Sarney (a name he later incorporated to his own) and Kiola Ferreira de Araujo Cost, born on 24 April 1930 in Penheiro, Maranhao. His first victory was a first place in the admission examination to the erstwhile Maranhao Secondary School. A few days later, another first place, this time in folklore. The makers of "Jesus Bleach" offered a prize of 500 cruzeiros (good money in those days) to anyone who would suggest a good advertising slogan. Sarney suggested: "Only the soul of Hitler would resist the action of Jesus Bleach." It was at the height of World War II. Sarney won the prize.

His fellow students thought he had rather strange habits. Instead of playing ball and horsing around, he just liked to read, preferably French authors such as Balzac, Victor Hugo, Voltaire, Anatole France, Flaubert and others. He ran for president of the Central Organization of High School Students, and won.

He was 14 years old in 1945, before the fall of Getulio Vargas. He went to the Arthur Azevedo Theater with a group of students. When the interventor, Paulo Martins de Sousa Ramos, entered, he began to shout: "Down with the dictatorship! Down with the dictatorship!" Soon others joined in the chorus. But the police arrived and the whole group was put in jail.

In 1950, Getulio Vargas was preparing for a return to power, this time via the ballot box. Sarney, 20 at the time, entered the Maranhao Law School. He received a bachelor's degree in 1954 and almost immediately entered party politics, first for the PSD [erstwhile Social Democratic Party], later the UDN [National Democratic Union], the ARENA, PDS and now the PMDB, which he joined 16 August of last year.

Jose Sarney is a man of simple habits. A few days ago he asserted that he is not superstitious, but his relatives attest to the contrary, although he is a Catholic. He does not smoke, he does not drink, and when he tells stories everyone listens with great pleasure.

One day, taking a streetcar ride through Sao Luis, he met young Marly Macieira. They started to date and fell in love. Today she is Marly Macieira Sarney and their children are Roseane, Fernando Jose and Jose Sarney Filho, a federal deputy whose nickname is Zequinha. There are also three grandchildren: Jose Sarney Neto (Zequinha's son), Rafaela (Roseane's daughter) and Ana Clara (Fernando's daughter).

Relatives claim that Sarney is extreme in his superstitions: he does not permit either "saci-perere" or penguins on the refrigerator [phrase as published] is not fond of indigenous art, doesn't have a brown suit and can make the most complicated circumlocutions to avoid using the word "jinx." But he likes to collect wooden figures of saints (he has more than 1,000) and always paints his moustache black.

When he was going with Marly, he couldn't figure out how to win the favor of her father, surgeon Carlos Macieira. One day he learned that he was a good chess player. He immediately familiarized himself with the intricacies of the game and before long he was confronting the old surgeon's pawns and rooks.

Sarney's political life began discreetly in 1954. With Cid Carvalho, he formed the "renewal group" within the PSD, controlled by Vitorino Freire, and ran for the Chamber. He was only elected fourth alternate and seldom occupied the seat in the absence of the office holders. The following year the national command of the PSD carried out a maneuver to favor Assis Chateaubriand. Unwilling to acquiesce, Jose Sarney switched to the UDN.

In the 1958 elections, Sarney was already one of the better-known opposition leaders in Maranhao and was the federal deputy with the second-highest number of votes among all opposition candidates. At the age of 28, he became the assistant leader of the UDN in the Chamber, at the side of Carlos Lacerda, Aliomar Balleiro, Adauto Lucio Cardoso and others. He was part of the "Bossa Nova," a progressive wing.

His talent and his culture soon made him one of the party's national leaders. Janio Quadros invited him to be ambassador to Cuba, but the young deputy turned it down, as his dream was to become governor of Maranhao. A dream not difficult to achieve, as the citizens of Maranhao had become tired of Vitorino Freire, with his philosophy of "power for the sake of power," and the old phrase: "A friend has no defects and an adversary has no virtues."

In 1962, Sarney was reelected deputy, this time with the highest vote among opposition candidates. At last, in 1965, his dream came true: he was elected governor of Maranhao, defeating "Vitorinism" and its candidate, Renato Archer. He immediately began to do away with electoral corruption and his administration is to this day still considered one of the most productive and efficient in the state's history.

Sarney resigned as governor in 1970 in order to become an ARENA candidate for the Senate. He was elected with 236,618 votes and in 1978 he was reelected with a substantial majority.

Before becoming interim president of the republic, he spoke about what he considered the priority task of the new government: "It must establish the foundations of the future institutions that will be the political framework of the nation. President Figueiredo provided the political opening and the Tancredo Neves government will construct those political bases. That is, there will be a new political pact, one in which everyone's opinion is to be heard."

Upon taking office, he announced that his "great banner" was "President Tancredo Neves." Now that he holds the position in all its plenitude, succeeding Tancredo, he leaves a message, in an interview with the WASHINGTON POST, for foreign creditors: there is a limit to the sacrifices that can be asked of the 130 million Brazilians. Renegotiation of the foreign debt will decide the destiny of the first civilian Brazilian government after 20 years of military rule and attention must be given to urgent social problems that threaten the survival of our nascent democracy.

From Poetry to President: Adventurer of Dreams

But I, the cattle, my mother and the flycatchers were happy and we were singing. (From "The Fire Wasps")

"Jose Sarney, at the same time that he is a politician, is a writer, and with this characteristic: as a politician, he is not a writer; as a man of letters, he is not a politician," said writer Josue Montello, upon greeting him as a new member of the Brazilian Academy of Letters on 6 November 1980.

"Because the temptation exists for the best or the worst: for his fellow party members to say that he is a great writer, for his adversaries to say that he is a poor writer and for those in between to make comparisons between the writer and the politician," wrote Antonio Alçada Batista, director of the National Book Institute of Lisbon, in reference to the Portuguese edition of the book of short stories, "North of the Waters."

If this dichotomy exists between the writer and the politician, one could ask who is in Planalto Palace, Dr Jeckyl or Mr Hyde? But Montello dissolves this doubt, in saying: "The writer's profound identification with his land and his people gives him the material and the form of literary creation." Jose Sarney himself recalls that his first passion, before politics, was for writing. With him, literature--poetry, the short story and the novel--took power in the New Republic.



I speak of Maranhao/ the plains of Urucurana,  
man and bird where went/ the adventurer of dreams

#### Man, Gods

Upon taking occupancy of Chair No 38 in the Brazilian Academy of Letters, Sarney helped decipher the mystery of the dichotomy, declaring himself a man of three gods. "My gods have produced the sorcery that has guided my path and brought me here. There is nothing higher, here is the infinite. The first god, the God of my faith, of my submission to his voice of destiny, which kept me in times of uncertainty, which filled with certainty my periods of perplexity." This god, God Himself, was said to be the support and the inspiration of the artist.

The second god could be interpreted as society. "But I am also here under the protection of another divinity, the god of companionship, which gave me brothers and friends, a broad table of comfort, rivers of solidarity, clear streams of tenderness, acts of love and of sacrifice, calls of good wishes, of going together, of life and death." This could be the source of his passion for politics.

But a third god, according to his speech upon joining the academy, would bridge the gap between art and politics. "I come motivated by and obligated to the god Maranhao. Geographical Maranhao, which goes from the white sands of the sea coast to the red ravines that die in the Tocantins. (...) Were it not for Maranhao I would not be here. Literature in Maranhao is a thing of nobility worthy of a coat of arms."

Further in the same speech, Sarney revealed that he arrived at the academy "brought above all by the calling of the spirit of literature, which seduced me since boyhood, when I would hear at dawn my old grandfather, a schoolmaster in a small town on the fringes of the Amazon forest, driving the animals into the corral while reciting roundels from Camoes."

"The political calling," explained he, "came to me from my other grandfather, from whom I heard tales of heroes and violins. It was another kind of magic, that of the little boy standing in the midst of big people, listening in the silent night of the countryside to the challenge of the sea, by the light of kerosene lanterns and with soot on all the scantlings, manioc alcohol and molasses, nights on the farm, only man and the stars."

I see the empty cages/ soiled by the odor of farewell

#### Bitter Song of Exile

It is Josue Montello's opinion that "every genuine literary calling diverted to the absorbing apprenticeship of the political life, ends up by living the nostalgia of literature, with his singularity: the relishing of its banishment." In this case, rising to the heights of the Planalto, Sarney must have been pushed by the "society god," temporal and finite, but the eternal God



prevails as the absolute presence. The creative writer, then, must be cloistered somewhere in the invisible cells of the palace, every now and then crying his bitter song of exile.

This idea of the psychological predominance of the esthetic over the political is part of Sarney's history. It was before his inclination for politics that he showed his literary bent. At the age of 18 he was already submitting his verses to BANDEIRA TRIBUZZI, a Portuguese journal that influenced a whole generation of Maranhao intellectuals. Two years later he was in student politics in the UNE [National Students Union] and in 1954 he sat in as an alternate in the Chamber of Deputies, never to stop again.

Before this, however, he edited the FOLHA DO ESTUDANTE, Maranhao Secondary School paper, and was a police reporter for DIARIOS ASSOCIADOS. In the IMPARCIAL newspaper, he created the "Letters and Arts" supplement. He participated in the publishing of the ILHA magazine, along with Odylo Costa Filho, Mauro Mota, Ferreira Gullar and others.

He was still in law school and was declaring himself a neomodernist, at age 22, when he published "The Initial Song," and "Teaching of the Fishgarth," books of poetry. "The Initial Song" is now a rare book known by a few; the other book is no longer mentioned.

His great breakthrough as a writer was with "North of the Waters" in 1970. Republished 19 June 1980 by Artenova (234 pages) and the following year also published in Portugal, it was hailed enthusiastically by Antonio Alçada Batista, director of the Portuguese INL [National Book Institute], according to whom Sarney, "to some extent does exactly the opposite of Guimaraes Rosa. In the latter, the fabric of regional time and space function as a pretext for recreating the language, which, as said so well by Lucy Teixeira, is, in Guimaraes Rosa, the leading character. In Sarney, the language functions as an instrument for recreating regional time and space, which are, in Sarney, the real characters of his writing."

On 5 April 1979 President Joao Figueiredo appeared at the National Congress to attend the introduction by Artenova of another book by Sarney: "The Fire Wasps," poems. Art critic Lucy Teixeira, vice consul of Brazil in Italy, recalled at the time that Maranhao poets are identified by nostalgia for the land and for the way in which it is felt. This occurred in Goncalves Dias, with his "Song of the Exile," and in Ferreira Gullar, with "Soiled Poem."

Jose Sarney, according to Lucy, falls within this classification and is an "invitation to an existential transcendence and this, paradoxically, if we insinuate as the other, secret horizon of the real, is perhaps the truer because it is a consequence of transfigurations in which the 'duree' was but the road to painful immortality."

It was with such baggage that Jose Sarney, backed by Josue Montello, entered the competition for the 38th chair of the Brazilian Academy of Letters [ABL]. On 17 June 1980, after 20 minutes of voting, Montello hurried from the meeting hall to announce: Sarney had won on the first ballot, with 21 votes. Origenes Lessa, with the second highest number of votes, had received only 10.

The day of his initiation was unusual for the ABL. Among those present were President Figueiredo, Vice President Aureliano Chaves, 9 cabinet ministers, 13 state governors. So many people that the academy's building was too small and many guests had to be content with watching the ceremonies on television sets installed outside the main hall. Outside, the building was ringed by an imposing array of security troops.

Now, in Planalto Palace, Sarney is in a position to give a boost to a bill he introduced as a senator seeking, according to its text, that "cultural development keep up with the economic growth of the nation." The bill provides for income-tax deductions for individuals and corporations that buy works of art and make other investments that benefit culture.

"The state and the economic sector must awake before it is too late and join the rescue effort to assist culture, making it an integral part of state planning," was the justification for introducing the bill. The instruments for such an awakening are now, more than ever, available to him.

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BRAZIL

POLL SHOWS QUADROS LEADING MAYORAL CANDIDATE IN SAO PAULO

Sao Paulo FOLHA DE SAO PAULO in Portuguese 10 May 85 p 5

[Text] Former president Janio Quadros, 68, leads the FOLHA DE SAO PAULO Survey among 16 names listed as candidates for mayor of Sao Paulo next November, in a sample of 1,000 persons interviewed in several geographic zones of this state capital. Janio obtained 16 percent of the preferences, followed very closely by the present appointed mayor, Mario Covas, with 15.9 percent, but who has become ineligible with the amendment approved by Congress Wednesday evening, a few hours after the survey terminated. The survey was based upon the names most often mentioned as candidates, and not necessarily the names most expressive of the parties.

Janio's party, the PTB [Brazilian Labor Party] also appears in the poll with 16 percent of the preferences, being in second place. In first place, the PMDB [Brazilian Democratic Movement Party] has 31.9 percent of the preferences and in third place the Liberal Front Party [PFL], still being formed, comes out with 15.3 percent.

The potential voters for Janio Quadros, according to the poll, are in the lowest income bracket (17.2 percent of the persons earning less than four times the minimum wage). Janio also is the favorite of persons 36 years of age and older (19.6 percent) and of men (19.1 percent). Among those who voted PTB in 1982, 60.3 percent would vote for Janio for mayor. In the PMDB, the migration of votes to Janio is 12.1 percent. Among young people who did not vote in 1982, 15 percent would now vote for Janio.

The third name most mentioned was that of the present foreign affairs minister and former mayor of Sao Paulo, now affiliated with the PFL, Olavo Setubal (11.3 percent), followed by Eduardo Suplicy of the PT [Workers Party], Paulo Maluf of the PDS [Social Democratic Party] and Almir Pazzianotto of the PMDB, both with 6.7 percent. The percentage of those saying they "did not know" among those interviewed exceeded that of many names: 11.3 percent, expressing, in general, the reaction that "it is still too early to choose a candidate."

In regard to party preference, the PT has 10.7 percent and the PDT [Democratic Workers Party] has 6.4 percent. The PDT name chosen in the poll, Adhemar de Barros Filho, has 3.4 percent of the preferences.

(1) P1 Entre os seguintes nomes, em quem o(a) Sr(a) votaria para prefeito de São Paulo?

NOMES (7)	(2) (SEXO E IDADE)				(5) (NÍVEL DE RENDA FAMILIAR)				(6) (FAIXA ETÁRIA)				TOTAL	
	HOMEM (3)		MULHER (4)		Subtotal		NOMES (7)		NOMES (7)		NOMES (7)			
	19 a 35 a (8)	36 a 50 a (9)	51 a 65 a (10)	66 a 80 a (11)	Até 2 S.M. (12)	De 3 a 10 S.M. (13)	Até 2 S.M. (14)	De 3 a 10 S.M. (15)	Até 2 S.M. (16)	De 3 a 10 S.M. (17)	Até 2 S.M. (18)	De 3 a 10 S.M. (19)		
Ademir de Barros Filho (PDT)	3.0	2.5	5.5	—	4.5	3.0	3.8	3.0	3.4	4.0	3.6	2.3	3.4	3.4
Alberto Goldman (PMDB)	3.0	0.6	2.0	1.1	1.1	0.6	1.7	0.9	1.2	1.0	1.4	1.4	1.2	1.2
Almir Pazzanotto (PMDB)	7.1	6.5	4.0	6.0	10.1	6.5	5.7	7.8	6.7	5.9	7.9	6.4	6.7	6.7
Caio Pompeu de Toledo (PMDB)	2.0	1.1	2.0	2.0	2.0	3.0	1.7	2.4	2.0	2.3	2.8	0.5	2.0	2.0
Edson Arantes do Nascimento-Pelé	4.0	3.0	2.5	1.1	2.0	3.6	3.0	2.4	2.7	3.7	2.8	1.0	2.7	2.7
Eduardo Suplicy (PT)	7.1	9.1	2.5	16.1	14.5	7.1	6.0	11.8	8.9	6.7	10.9	10.0	8.9	8.9
Guilherme Alif Domingos (PDS)	3.0	2.0	2.0	1.1	1.1	1.1	2.2	1.1	1.6	1.3	0.9	3.7	1.6	1.6
Jânio Quadros (PTB)	14.1	16.6	24.1	13.1	11.1	15.1	14.1	13.1	16.0	17.2	16.0	14.1	16.0	16.0
José Maria Marin (PFL)	4.0	4.0	4.0	4.0	5.0	3.0	4.0	4.0	4.0	5.2	3.0	3.7	4.0	4.0
José Serra (PMDB)	1.1	1.6	0.6	—	—	0.6	1.1	0.2	0.6	0.3	0.6	1.4	0.6	0.6
Luiza Erundina (PT)	1.1	1.6	0.6	—	2.0	—	1.1	0.9	0.9	0.8	1.1	1.0	0.9	0.9
Mário Covas (PMDB)	20.1	12.6	19.6	25.1	9.1	16.1	16.9	15.1	15.9	16.2	17.6	12.7	15.9	15.9
Olavo Setúbal (PFL)	9.1	12.1	16.1	6.0	11.1	10.1	13.1	9.7	11.3	7.9	11.9	16.8	11.3	11.3
Paulo Maluf (PDS)	3.0	7.1	4.0	6.0	8.1	10.1	5.0	8.5	6.7	6.9	5.2	9.1	6.7	6.7
Samir Achaoui (PMDB)	5.0	4.5	2.0	1.1	3.0	3.0	3.6	2.6	3.1	4.5	2.5	1.9	3.1	3.1
Severo Gomes (PMDB)	5.0	2.0	1.1	1.1	3.0	1.1	2.2	1.8	2.0	2.0	1.4	3.2	2.0	2.0
Outros (14)	—	4.5	—	2.0	1.6	1.6	1.8	1.7	1.7	2.5	1.7	0.5	1.7	1.7
Não Sabe (15)	9.1	9.6	8.1	15.1	11.6	15.6	8.8	13.9	11.3	12.8	9.8	11.4	11.3	11.3
NÚMERO DE ENTREVISTAS	100	200	200	100	200	200	500	500	1000	409	370	221	1000	1000

Key:

1. Question: Among the following names, for whom would you vote for mayor of São Paulo?

2. Sex and Age

3. Men

4. Women

5. Household Income

6. Age Group

7. Names

8. 17 to 19 years

9. 20 to 35 years

10. 36 years and older

11. To 4 times Minimum Wage

12. 4 to 10 times "

13. Over 10 times "

14. Others

15. Don't know

16. Number of persons interviewed

P1 Entre os seguintes nomes, em quem o(a) Sr(a) votaria (1) para prefeito de São Paulo?									
	(2) Em que partido o(a) Sr(a) votou em 1982?					(4)		(5)	
	PMDB	PT	PDS	PTB	PDT *	Nulo/★ branco	N Lembra	Não em eleitor	
Ademar de Barros Filho (PDT)	3,7	4,3	3,0	3,5	(1)	(1)	8,1	1,6	3,4
Alberto Goldman (PMDB)	1,6	—	—	1,2	—	(1)	—	1,6	1,2
Almir Pazzianotto (PMDB)	9,3	9,7	1,0	1,1	(2)	(1)	2,8	5,9	6,7
Caio Pompeu de Toledo (PMDB)	3,1	—	2,9	—	—	—	2,8	1,6	2,0
Edson Arantes do Nascimento — Pelé (Independente)	2,0	3,3	2,9	4,5	—	—	8,1	2,4	2,7
Eduardo Suplicy (PT)	5,8	35,5	3,9	1,1	(1)	(3)	2,8	9,1	8,9
Guilherme Afif Domingues (PDS)	0,5	—	8,9	—	—	—	—	2,0	1,6
Jânio Quadros (PTB)	12,1	9,7	6,8	60,3	—	—	13,5	15,0	16,0
José Maria Marin (PFL)	4,6	1,1	7,8	—	—	(1)	—	4,3	4,0
José Serra (PMDB)	1,3	—	—	—	—	—	—	0,4	0,6
Luiza Erundina (PT)	0,2	5,4	1,0	—	—	—	—	0,8	0,9
Mário Covas (PMDB)	21,6	3,2	6,8	5,6	—	—	10,7	21,3	15,9
Olavo Setúbal (PFL)	14,6	5,3	16,7	8,0	(2)	(3)	5,4	7,4	11,3
Paulo Maluf (PDS)	3,3	2,1	27,5	3,4	—	(1)	10,7	6,2	6,7
Samir Achão (PMDB)	3,8	4,3	2,9	1,2	—	—	2,8	2,8	3,1
Severo Gomes (PMDB)	2,5	—	1,0	2,2	—	—	—	2,7	2,0
Outros (6)	1,9	2,2	1,0	—	—	(1)	2,8	1,6	1,7
Não sabe (7)	8,1	13,9	5,9	7,8	(2)	(7)	29,5	13,3	11,3
NÚMERO DE ENTREVISTAS (8)	399	93	102	88	(8)	(19)	37	254	1000

\* Números de casos insuficientes para porcentagem. (9)

Key:

1. Among the following names, for whom would you vote of mayor of Sao Paulo?
2. For which party did you vote in 1982?
3. Nullified or blank ballot
4. Don't remember
5. Was not a voter
6. Others
7. Don't know
8. Number of persons interviewed
9. Number of cases insufficient for computing a percentage

Mario Covas was responsible for almost half of the PMDB voting intentions (15.9 percent among 31.9 percent of the total). His current position of ineligibility faces the party with the difficult task of finding a candidate with the same degree of popularity, inasmuch as the second highest number of preferences among



PMDB personnel was Almir Pazzianotto, with no more than 7 percent of the voting intentions. The other PMDB members mentioned in the poll had the following respective percentages: Samir Achoa, 3.1 percent; Caio Pompeu de Toledo, 2 percent; Severo Gomes, 2 percent; Alberto Goldman, 1.2 percent; and Jose Serra, 0.6 percent.

In the PDS, the second highest is Guilherme Afif Domingos, with 1.6 percent of the preferences. In the PFL, besides Setubal, there is former governor Jose Maria Marin, with 4 percent. In the PT, besides Suplicy, Councilwoman Luiza Erundina has only 0.9 percent. One name without a party, that of Edson Arantes do Nascimento, Pele [the soccer player], shows up in the poll with 2.7 percent of the preferences.

Former mayor Olavo Setubal has 14.6 percent of the votes that went to the PMDB in 1982. Among the 1982 PDS voters, 27.5 percent would vote for Paulo Maluf, while 16.7 percent prefer Setubal.

Of those who voted PT in 1982, 35.5 percent would vote for Eduardo Suplicy. One interesting fact is that the current labor minister, Almir Pazzianotto, received proportionately more voting intentions among PT voters than among those of the PMDB (9.7 percent compared to 9.3 percent, respectively).

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BRAZIL

GENERAL NEWTON CRUZ DEFENDS CAREER, DISCUSSES CANDIDACY

Sao Paulo ISTOE in Portuguese 15 May 85 pp 32-36

[Text] When General Newton Cruz was discharged from the Planalto Military Command (CMP) in November of last year, the then still candidate for president of the republic, Tancredo Neves, expressed his relief to Deputy Paulo Mincarone (Brazilian Democratic Movement Party--PMDB--Parana), his visitor that morning: "Now I am more at ease." As chief of the opposition alliance that would gain power in the Electoral College, Tancredo had just spent 60 tense days, when he secretly feared a power play that would remove him from power. It is no secret that the deceased creator of the Democratic Alliance saw in Newton Cruz the only officer capable of carrying out a military adventure at that time.

Now in the reserve by decision of the Army High Command, which mandatorily interrupted his career in March, General "Nini" (a nickname he received from his oldest brother when he was still a child) says that he was "misinterpreted" and "wronged." According to him, if it had not been for the case of journalist Alexandre von Baumgarten, who was found dead on a Rio Beach at the end of 1982 after leaving a diary in which he accused the National Intelligence Service (SNI) of plotting his death, today he would still be the same officer who, as a lieutenant-colonel, in the sixties, began to work in the Rio de Janeiro agency of the SNI.

The truth is that only in the last 2 years has the general--who is 60 years old, has 4 children and is on the way to having his 10th grandchild--begun to appear regularly in the press. During his long career in intelligence, he was always praised by his chiefs. Since the SNI has become the subject of charges by the accused, he has become the subject of more and more controversial episodes. The most famous of them, perhaps, was the attack on radio reporter Honorio Dantas in December 1983, after forcing him to apologize before the TV cameras for an unimportant comment. "I did not attack him; I held him by the arm--if that is an attack," explained the general in an interview recorded last week when ISTOE asked him to explain in more detail the statements he had made in writing in a letter to the editor (see below). General Cruz expressed a willingness then to speak about all the episodes that have made him known.

[Question] What did you feel when you saw that Dr Tancredo Neves' victory over the Social Democratic Party (PDS) was inevitable?

[Answer] I regretted it deeply because I made the 1964 revolution; I participated in it. I admit that over the years not everything went as we, who made the revolution for completely new ideals, wanted. But today, they only talk about 21 years of arbitrariness, 21 years of military dictatorship. So what resulted is a government that denies the whole revolution. No one can dispute that.

[Question] Did you think of some way of preventing that from happening?

[Answer] No. You must be thinking of the fact that there was--it was even published--that I was allegedly thinking of a coup. That is folly, folly. Think of a coup, only if I were an idiot. How was I going to carry off a coup alone! Furthermore, any coup I would make would be a sign of my disloyalty to the military leaders whom I have served in every way, with all possible intensity and loyalty. Never, never. I left the Planalto Military Command, and what evidence was there of the preparation of a coup? There were people who sought me out in the name of Tancredo Neves, of the opposition, and I always said the following: Until 15 March, I am in favor of the government that is here. I am loyal to this government.

[Question] Were they emissaries of Doctor Tancredo?

[Answer] I don't know if they were emissaries, but they were people who came to speak, and did speak, in his name. Those who sought me out, asked my opinion about the minister of the army, and in that situation, I said that of the prominent ones, perhaps the best was Leonidas Pires Goncalves. In the Planalto Military Command, I had some 12,000 under my command. Ask any of them if he was approached about coups or received orders in that regard. A single one. Carry out a coupe with whom? Was I going to mount Amyr (the general's favorite horse, a white horse that was a gift from former President Joao Figueiredo), enter the Esplanade of Ministers, carry a sword and look just like Don Quixote, alone?

[Question] But there were some signs, like the suspension of leaves of CMP personnel at the end of last year.

[Answer] That's all false rumor; there was none of that; it's all lies. There was never any action on my part in that regard. Furthermore, at that time, there was a leave plan that was not mine; it was from higher authority; nothing to do with me. I did not have the authority for that.

[Question] But the residents of North Lake even saw tank movements.

[Answer] That's a lie. The tanks were being shown to the Americans, who were here. The general staff asked for a demonstration for them and the tanks went there to North Lake to put on a demonstration.

[Question] Let us take another case. Colonel Aridio Mario de Souza Filho, one of the men under your command, reportedly went to a police station in Brasilia to release military men who had been putting up fake Brazilian Communist Party posters supporting Tancredo's candidacy on the city's walls.

[Answer] The CMP had nothing, nothing, nothing to do with that episode. And you know as well as I that that episode was dealt with at the Army Ministry level. Colonel Aridio, to whom you refer, is a high-caliber officer. He never did anything wrong; I can guarantee that. He remains a great friend of mine. When there was a somewhat similar episode in Goias, which was in my area, I handled the matter.

[Question] Further on, there was a meeting of the Army High Command that assessed the political situation. Is it true that you supported a harder line there?

[Answer] No, no, no. There was none of that.

[Question] But when you came out, you complained about the performance of the generals.

[Answer] They published that and I denied it. But my denial is worthless to this day because you continue to insist.

[Question] After all that, general, you ended up having your career cut short by the Army High Command, did you not?

[Answer] No, no. The High Command decided and it is its right to decide. I do not dispute that.

[Question] But do you consider yourself wronged?

[Answer] Of course I consider myself wronged. That is obvious because I am aware that for 44 years I served the army well and I believe I could have easily continued in my career.

[Question] And the Baumgarten case. He wrote a diary in which he stated that the SNI, particularly you, had plotted his physical elimination. Some time later, Baumgarten was found dead on a Rio de Janeiro beach. What do you have to say about that?

[Answer] What I have to say I already said at the time. And I placed the matter where it should be placed, being chief of the SNI Central Agency.

[Question] Why did you decide to speak?

[Answer] Because in the diary that he left, he mentioned the names of several SNI employees. So it was necessary to see that the agency was cleared of suspicion. Since I was the chief of the Central Agency, I had to say that: that anyone who may have intervened in the matter did so on my order, following my directive, within my functions. Consequently, they had acted as members of the SNI. They were exempt from testifying on the matter, according to the law establishing the SNI.

[Question] What was your personal relationship with Baumgarten?

[Answer] I never had any relationship with Alexandre Baumgarten. I must have been with him at least three times, 5 minutes each time, at his request. Once when he appeared in my office and said: I have title of ownership of O CRUZEIRO and I propose to use this magazine to defend and work for the government. I thought that was a good idea and offered to facilitate contacts.

[Question] Did you know in advance about his diary?

[Answer] No, only when it was published. I personally handled the matter only after it appeared. I gave a deposition to the chief of police, to the judge, saying what I could say. His death is a police matter; it is not within the purview of the SNI. We have nothing to do with his death.

[Question] Are you a candidate for the Constituent Assembly?

[Answer] About a month ago, I could not have admitted that possibility. I was a soldier and my intention was to do what I had sworn to do as a soldier: to defend the fatherland, guarantee the constituted powers, the law, order, those things that are constitutional. But I ended my career in such a manner that my personal honor was bandied about as if it were a cheap piece of goods from some tenth-rate brothel. I have to live according to the rules of the game. The game today is that one. Now I have to enter that game in the team I believe I should enter.

[Question] And what team is that?

[Answer] For me, the team of the good patriots, the good patriots who think as I do. I am going to be a member of the opposition. Where does the opposition exist today? There is only the Social Democratic Party (PDS). So I am going to join the PDS.

[Question] What ideas do you plan to bring to the Constituent Assembly?

[Answer] Perhaps it will not be "bringing" properly speaking. Perhaps it may even be to prevent putting more in the Constituent. For example, I am very afraid that in some way the country's swing to the left may be embodied in the constitution. I believe there is a tendency in that direction today.

[Question] Are the strikes manifestations of that leftist swing?

[Answer] No. There were also strikes in the previous government. There is something more now, that problem of taking hostages, of invading. Striking is perhaps one of the basic rights of the worker but it has to be within the rules of the game. For example, I do not admit of strikes in the public and essential services. It is illegal and prohibited by the constitution.

[Question] In those cases, what should be the government's attitude?

[Answer] Act according to the law; that's all, nothing more. Apply the law uncompromisingly.



[Question] How about the legalization of the Communist Party (PC)?

[Answer] The constitution is in favor of a multiparty system but it makes some restrictions. For example, no political party can have a connection of any kind with the action of a foreign government, entity or any other foreign body. It has to be genuinely Brazilian. I am against legalization. In my opinion, according to the present constitution, it cannot contend. And if I can maintain that prohibition in the future, I will do so.

[Question] There is much talk today in the New Republic about redefining, rediscussing, the duties of the SNI. Do you concur?

[Answer] Excuse me but I will not discuss that part. It's a matter of ethics.

[Question] Let us restrict the SNI to the period when you were there.

[Answer] When I was there, I am absolutely certain that the SNI never shunned its duties. Otherwise, I would be denying myself.

[Question] How do you see the role of the intelligence service in a modern state?

[Answer] As the SNI was in my time . . . I am not going to discuss how it was. I did the best I could.

[Question] In the SNI of your time, were there many vetoes of people named for positions of trust in the government because of having a bad file in the "Biographic Data List"?

[Answer] No, absolutely not. In my time, I used to check it personally. When there was, let us say, adverse data, I was the one who had to see it. Any adverse case, I used to see one-on-one to determine if I was convinced of that. What influenced more was the matter of competence.

[Question] Was anyone vetoed for ideological reasons?

[Answer] Of course. You must agree that anyone who is against the revolution in a revolutionary government should not come in.

[Question] But the citizen does not have access to the information about him in the state's archives.

[Answer] He can't have. He does not have it in any country in the world. If there is that access, the individual is going to discuss, going to raise problems. The government has the right to choose. Some who were vetoed previously are not any longer today. The government is organized according to what it plans to do.

[Question] And about corruption, did the SNI also concern itself about it?

[Answer] Very much. Of course, because it is its duty.

[Question] Then how do you explain the succession of financial scandals, corruption, that occurred in the past government?

[Answer] I don't have to explain anything. That is not the SNI's problem. The SNI only informs and that is it.

[Question] Did it inform about the Capemi case, for example?

[Answer] Of course. The intervention in Capemi was because of our information. There was corruption there but it was more a case of bad management. When the conclusion was reached that there was bad management and that there was no way to correct that, that the only way was intervention, we wrote that. I was the one who wrote it, who signed it.

[Question] Was there another case in which the SNI warned the government?

[Answer] No. And if there were, I would not say it. I spoke about Capemi because it is a matter about which I was accused.

[Question] Did you have an actual part in the 1964 movement?

[Answer] A small part, small. But I never belonged to any group; I always acted according to my conscience, according to my convictions.

[Question] To what do you attribute that general condemnation of the 1964 movement, expressed, for example, in the big rallies last year?

[Answer] It is because the government lost the battle of communications. If it had explained, had informed the people as it should, it would at least have established the contrast. For example, the matter of the campaign for direct elections now. The government let others do what they very well pleased for almost a year. At the end, I alone had to secure things here in Brasilia because it is written in the National Security Law that it is a crime to impede the free operation of the branches of government, whether by violent means or by serious threat. The president decreed the emergency on the basis of that serious threat to the congress, and I guaranteed the operation of congress.

[Question] Did the government stand on your side?

[Answer] It did, but I did not receive any guidance; I did not receive anything. This is the decree, do it. I even felt very honored because I have the capability to act alone. I acted according to my conscience and according to the powers I had. The president even praised me; said that I had implemented the measure well.

[Question] Speaking of emergencies, is it true that you planned to leave the people "beyond Paracatu" if they were decreed for the Electoral College?

[Answer] I never said that to anybody. The third emergency never entered my mind. It would be asinine on the part of the government because it would



blemish the last act. It would be the political finishing touch with emergency. It would make no sense.

[Question] Today are you in favor of or against the emergency measures?

[Answer] Assuming that I go to congress, I will be in favor of the removal of the emergency measures from the constitution. You have state of siege, state of emergency; that just needs to be straightened out.

[Question] Was the invasion of the Brazilian Bar Association (OAB) to guarantee the operation of congress?

[Answer] The invasion of the OAB was nothing like they say it was. I had said that there could not be a meeting of a political nature. The OAB held a meeting of lawyers there, a meeting of a political nature. I have all the speeches that were made there, I have them with me, criticizing the emergency. What I ordered the Secretariat of Security to do was misinterpreted. I said that there could not be any more meetings in the OAB, that the OAB be interdicted for that purpose. And there, they understood that "interdict" is to "close," and they closed it. When I learned that, I immediately lifted the interdiction. Do you know how long the building was interdicted because of that excess? Forty minutes. Do you know how long it remained closed by order of the OAB itself? Ten days. They left it sealed, to open it with a formal ceremony.

[Question] Before this interview, you said that the government could reestablish direct elections. Did the SNI suggest that at any time?

[Answer] On that occasion, since I knew the conditions the country was facing, problems from abroad with repercussions here in Brazil, I saw the tendency of the government to become ill-regarded in the end, because of the situation it was going to face because of the measures it would have to take. I felt then that the government should schedule direct elections for his successor's successor. That is what they wanted to do at the last minute, however, adding a number of things to it. I wanted a simpler thing. It was an assessment of ours, honorable intelligence work, not the work that you people talk about: police work. It was mental work, thinking.

[Question] To conclude, general. Are you or are you not afraid of falling flat on your face in running as a candidate?

[Answer] I could never fall flat on my face. I could never be disappointed. My objectives are not the gaining of power or a position. I am going to be able to speak as I am speaking now. I am going to defend my ideas. Since I do not want anything for myself, I could never fall flat on my face. I am always going to gain.

The General and Riocentro: Newton Cruz Complains About the Report

General Newton Cruz wrote a three-page letter to ISTOE on 24 April of this year. In it, he asks that references to his name that appear in the report,

"Riocentro--Names and Code Names Come Out of the Shadows," published in Issue 435, which according to him "do not correspond to the truth," be rectified.

In the first three paragraphs, General Cruz states that he did not believe that four generals mentioned in the report revealed the information published about "Operation Crystal." "They would never do that," he said. He also considers "pure fantasy" the narrative in a book by Colonel Dickson Grael about Riocentro, quoted first-hand in the report. As for the book, the quotations belong to Colonel Grael. "Operation Crystal," quoted extensively in 1980, the time of the fires of dozens of newspaper stands, was discussed by the four generals with several subordinates with whom the magazines confirmed the facts. Further on, the general referred to a former military minister, quoted in the report as a person who is convinced that the responsibility in the case belonged to him: Newton Cruz. The letter says: "That tops it! Now this! Let that minister show himself, if he exists, because he is a scoundrel (an infamous person, capable of vile deeds)!" ISTOE guarantees that the former minister exists and is alive and well.

The general also denies that the SNI had "inveigled" two agents of the Department of Internal Operations (DOI) of the 2d Army in an action outside the chain of command, or had invited two former senior army officers, the brothers Leo and Cyro Etchegoyen, for an irregular operation in the Northeast. He considers those stories "an insult." He also denies that he had at any time quarreled with General Jose Luis Coelho Neto or had uttered the words, "They did an asinine thing," referring to the military men surprised at the Riocentro explosion.

ISTOE guarantees that those specific points noted by General Cruz were recounted and confirmed by five high-ranking military officers.

8711

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BRAZIL

DORNELLES ON DEBT RESCHEDULING PROSPECTS, IMF DEMANDS

Rio de Janeiro MANCHETE in Portuguese 1 Jun 85 pp 16-18

[Interview with Finance Minister Francisco Osvaldo Neves Dornelles in Brasilia by Ney Bianchi; date not given]

[Text] It was not exactly a regal present giving him the Finance Ministry to be responsible for. In fact, he received, "ipsis litteris," an empty safe to take care of. He became guardian of the doors the Old Republic had battered down on its way out. And that was for 21 years in a row.

When President Tancredo Neves asked his nephew Francisco Osvaldo Neves Dornelles to be finance minister, on the threshold of the New Republic, he knew what he was doing. He wanted a man of complete integrity to remove Brazil from the red. For Francisco Dornelles, 50 years old, 30 of them lived in an atmosphere of numbers, amounts, accounting minutia, methods of taxation and laws in general, the position was, in the end, that of an authentic hunter of the lost ark (of Brazil).

Even when others raised objections to his appointment, Dr Tancredo was determined. As, indeed, he had been with respect to other cabinet appointments:

"A minister is in a position of trust," he would say. "I choose my own. And I take responsibility for them."

To those who saw Dr Francisco Dornelles as a finished product of the Old Republic, Dr Tancredo would reply:

"If that is so, at least this is one good thing it left us."

When he took over the government, President Jose Sarney bought this argument. And he was not sorry, because Minister Dornelles started out on the right foot in the Finance Ministry: the inflation rate for April--5 percent--was the lowest the country has had in recent years. Simultaneously with this feat, he was beginning a war without quarter against speculators and embezzlers at the

same time he was mounting an unrelenting attack on so-called "white-collar crime." He gave the public time to breathe by holding the line on prices of basic commodities. He gained the trust of congressmen when he went to the Chamber of Deputies to report frankly all the economic problems he had inherited and the solutions he intended to adopt to solve them. He was given a green light to go ahead. And he went, departing for the United States, where he advocated the new rules of the game he intended to follow from now on with the international bankers and the IMF. He was heard and, once again, respected.

He works 16 hours a day and his immediate staff follows the same routine, which at times does not stop even on weekends. For any who still doubt the capacity of Minister Francisco Dornelles, a reminder: he intends to bring order to Brazil's finances before the National Constituent Assembly is held. And then, when the nation effectively enters its existence as the New Republic, it might be that even Minister Francisco Dornelles will take 1 or 2 days to rest. After all, no one is made of iron...

In this exclusive interview with MANCHETE, he says what he is doing--and will do--to remove Brazil from bankruptcy.

MANCHETE: In view of your recent meetings with the IMF and our international creditors, what prospects were opened for Brazil in regard to the terms that could be set for rescheduling our foreign debt, bearing in mind especially the new government's promises about preservation of national sovereignty and resumption of economic growth?

Dornelles: In the first place, the basic points for an agreement with the IMF were established, which constitutes an essential condition for rescheduling of Brazil's foreign debt with private international bankers and official creditors. It should also be pointed out that the negotiating mission is to arrive in Brazil by the end of this month.. As an important point, the Bank Advisory Committee is studying the extension for 90 days of the period that is to close on 31 May for Brazil to normalize its relation with the IMF and thus become eligible for rescheduling of the foreign debt. The negotiations with the committee should go on simultaneously with the discussions with the IMF, so that signing of the rescheduling contract with the private international banks may occur simultaneously with signing the agreement with the fund.

MANCHETE: Why did you prefer negotiating an agreement of the "standby" type to retaining the broadened agreement signed by the previous government?

Dornelles: The agreement signed by the previous government ("Extended Fund Facility"), with a duration of 3 years, would expire on 27 February 1986, but with its annual goals still unfeasible. For this reason, it would be more advisable to initiate a new type of negotiation along the lines of a "standby" agreement, perhaps with longer durations and more realistic goals.

MANCHETE: Will the government keep its 422 state enterprises on an active basis, despite about 12 trillion cruzeiros being necessary to enable them to return to operation?

Dornelles: State enterprises have their financial programming (Aggregate Expenditures Program--PGD) approved by the president of the republic, for submitting to the SEST [Special Secretariat for Control of State Enterprises]/SEPLAN [Planning Secretariat]. This consolidated budget, now in the process of revision, implies a great effort of financial adjustment, which certainly will not eliminate the expected potential deficit, but will be able to reduce it to bearable amounts, or better, amounts that can be financed more suitably. The liquidation or absorption of a company is one of the jobs of the Denationalization Commission, which is guided by various criteria in selection of the business activities that should indeed remain the responsibility of government enterprises.

MANCHETE: How can the nation's growth be reconciled with the demands of the IMF?

Dornelles: The major objective of the government's economic policy is economic growth, on a sustained basis, resulting in creation of new jobs and in a better distribution of income. No "demand" of the IMF can jeopardize this objective, which has to do with the very sovereignty of the nation's decisions. In fact, the IMF is not in a position to make "demands," but rather to approve or not our program of economic adjustment, which will be presented to that organization at the proper time. The objectives of the program and the instruments to be used will be determined by the government.

MANCHETE: From the New Republic's point of view, what are the basic points to guide development of the Brazilian economy?

Dornelles: First of all, elimination of the obstacles that are the most proximate threat to growth: inflation, the foreign debt and high interest rates. Inflation and high interest rates are by-products of the public-sector deficit, which must be eliminated through a broad program of rehabilitating public finances.

MANCHETE: Do you think it is fair for home mortgages to be computed (and charged) on the basis of the ORTN [Indexed National Treasury Bond], transforming the mortgagee's debt into an uncontrollable snowball?

Ministry Technical, Congress Political

Dornelles: This matter is being studied by the BNH [National Housing Bank]. There are many injustices in our economic and social system; however, in proposing corrections, we must always indicate who will pay the bill. If we want a given subsidy, whether for persons buying their own homes or for any other social group, we must find a way of financing it. And from my point of view it is Congress, as the legitimate representative of society, that should decide about this.

MANCHETE: Will the new style of always going to Congress to discuss the decisions of the government be maintained?

Dornelles: It is a logical corollary of democracy.



MANCHETE: When the finance minister goes to Congress requesting funds for the fiscal budget is he, in doing so, forcing a division of responsibilities, retaining the technical part and giving the political part to the politicians?

Dornelles: In a certain sense, yes. The Finance Ministry is part of the administration, but is above all a technical agency. Who better than the politicians to make political decisions?

MANCHETE: Can the political solution sought for the Sulbrasileiro case establish a precedent for cases such as those of Coroa-Brastel, Capemi, Sunaman, Brasilinvest and others?

Dornelles: It is not a matter of "establishing precedents," but rather of exercising democracy in economic decisions. Society pays the taxes. Now, who better than its legitimate representatives to decide what to do with the money from these taxes? Hasn't it been this way for centuries in the more developed societies?

MANCHETE: Considering the successive scandals that have come to light, the deeper the government carries its investigation, would you have an estimate, offhand, of how much the nation has been robbed of in all these years?

Dornelles: I don't have an all-inclusive idea, nor do I consider it relevant to seek this figure at this time. We can't recover the past. What seems important is to reestablish responsibility, find out the truth about what has been going on, and let society decide how to deal with the question.

#### More Effective Law Against White-Collar Crime

MANCHETE: The existing legislation for punishment of financial crimes seems defective and mild (small penalties for large robberies). Will you suggest to your colleague, Justice Minister Fernando Lyra, changes making the law more harsh?

Dornelles: There is now a commission studying the matter, by decision of the president of the republic, since the first ministerial meeting. It was established by Decree No. 91,159 of 18 March 1985, to prepare a bill about responsibility in financial markets; it is composed of five specialized jurists and is chaired by Dr Jose Luiz Bulhoses Pedreira. This bill will undoubtedly overcome the ineffectiveness of the existing legislation in regard to definition and investigation of criminal, civil and administrative liability of controllers, administrators and auditors of institutions participating in the monetary and capital markets, as well as stipulating authorities and procedures for holding transgressors responsible by way of an example to others, also preventing situations of illiquidity and insolvency. But it will not be only a criminal law but rather a banking law, including criminal, civil and administrative penalties.

MANCHETE: In accordance with the decision of the judge of the 11th Federal Jurisdiction, which refused to grant the request of preventive arrest against Mr Mario Garnero of the Brasilinvest Group, wouldn't it be incongruous to arrest him before a lawsuit that would practically free him (he would be entitled to "prisao-albergue" [house arrest] and the sentences would total less than 4 years)? How, then, do you punish such cases of fraud?



Dornelles: This aspect of the problem is beyond my jurisdiction. The finance minister's responsibility is to ask the Justice Ministry, which is sovereign in such decisions, to take the necessary measures.

MANCHETE: The role of the national treasury is of prime importance for the good operation of the 100-Day Plan. What items in that plan do you consider of primary importance?

Dornelles: I don't know of any 100-Day Plan. If the reference is to the Priorities 1985 Program, I would like that question to be put to my colleague in SEPLAN, who is responsible for preparing it. I should like to emphasize the role of the finance minister: he does not decide upon resource allocation. It is the responsibility of the Planning Secretariat, along with the sectoral ministries, to prepare, or suggest to the president, to the Congress, the ways of applying public funds. It is up to the Finance Ministry to study various ways of raising money and of managing it properly. This division of responsibility is clear in the text of the law, and is absolutely logical.

MANCHETE: Are you sure that the measures of the recent "package" will succeed in deterring--or even in diminishing--the inflationary spiral?

Dornelles: What "package"? Are you referring to some measures adopted recently? If the reference is to these measures, my answer is no. The struggle against inflation will be a constant, tenacious, ever-improving effort. The finance minister will not be satisfied until the rate of inflation reaches zero.

MANCHETE: What is the period you are stipulating for these measures to begin producing results?

Dornelles: The results of the first measures already emerged in April. This month we will have an inflation that may even be less than 8 percent. But as I said, and I repeat, this is not enough. It is only the beginning. I contend that the struggle must be a permanent process.

MANCHETE: Isn't there a contradiction between control of the inflationary process and reactivation of development?

Dornelles: I assure you, and I reaffirm, that every effort will be made for inflation to fall.

MANCHETE: What is the forecast of inflation for this year?

Dornelles: I don't consider this type of futurology relevant. I don't have a crystal ball. What I can guarantee, and reaffirm, is that inflation will fall, by a substantial amount, and that I will not rest as long as it still exists.

MANCHETE: How will it be possible to reconcile the fight against inflation with the capitalization of business firms via the capital markets?

Dornelles: How is it possible to reconcile inflation with any healthy form of capitalizing business firms? Inflation is the most perverse, the most unjust

form of forced savings. Its elimination will permit a return to more wholesome forms of financing development, especially of capitalizing business firms.

MANCHETE: Brazil depends heavily on exports. How will it be possible to keep them at a high level without the IPI [Tax on Industrialized Products] credit and without credit insurance for exports?

Dornelles: Exports are holding up very well. We have a realistic exchange policy, sufficient credit was reallocated for this in April, there are new incentives in the international markets. But we must learn to compete without subsidies, because they are very expensive and are against the rules of the game internationally. Why is this necessary? Just look at the results: in April we have a trade surplus of about \$1 billion. The signs indicate recovery. But if there is any way of reducing tax burdens or other obstacles, that are not subsidies, we are always ready to analyze the proposals.

MANCHETE: What will be the guideline regarding import-substitution policy?

Dornelles: Although this is a matter for the minister of industry and commerce, we can say that the guidelines for import substitution are included in the guidelines of industrial policy as a whole. The big investments for import substitution have already been made. The MIC [Ministry of Industry and Commerce] must identify what can still be done, what room and opportunities yet remain for import substitution.

MANCHETE: Do you fear that the price freeze will cause pent-up inflationary demand?

Dornelles: There is no price freeze. What is happening is that the government is monitoring prices. When the price of a given product is raised, the increase is granted on its current cost structure and not on the expectation of a future inflation.

8834

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BRAZIL

DORNELLES REAFFIRMS CURRENT MONETARY POLICY, INTEREST RATES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Jun 85 p 32

[Text] Brasilia--"Monetary policy is not the Central Bank's business. It is the business of the minister of finance, and it is not going to be changed. As long as the deficit in the public sector has not been eliminated, the Central Bank will continue to act upon the market, and under no circumstances is it going to impose artificial interest rate levels."

That emphatic statement was made yesterday by Minister of Finance Francisco Dornelles in an attempt to clarify once and for all the direction being followed by economic policy in the New Republic, which prefers sustained growth in the economy with no risk of the money supply getting out of control and causing a process of hyperinflation.

As a result, maintaining the current monetary policy means maintaining high interest rates until inflation slows and the public sector deficit is eliminated. And the statement by Dornelles means that at the moment, the Ministry of Finance has preponderant influence over the direction of economic policy.

Debate

What is at issue between the Ministry of Finance and the Planning Secretariat of the Presidency [SEPLAN] is the economic policy of the transitional government. SEPLAN is recommending that the economic policy stress the growth of production. It argues that to keep economic activity heated, financial costs must be reduced.

For its part, the Ministry of Finance feels that there is no point in having a high rate of economic activity when inflation is at a high level, as it is now in Brazil, because inflation transfers income from wages to capital. The Ministry of Finance recalls that industrial activity has grown by only 8 percent over the past 12 months and that that rate must be maintained, not neglected. And less rigidity in the monetary policy now--which is what SEPLAN recommends--will mean high inflation in the not-too-distant future.

SEPLAN argues that restricting the issue of currency now only postpones the problem until later, but the Ministry of Finance reiterates that inflation must be combated first so that it will not inhibit economic growth in the future.

In SEPLAN's view, it is necessary to reduce interest rates first and then to combat the public deficit, but in the view of the Ministry of Finance, the path to be followed is just the reverse.

#### Artificial Action

Over the past few weeks, following Sarney's meeting with private economists and ministers at Granja do Torto, it has been increasingly suggested that the Central Bank should take the initiative in reducing the current level of interest rates by one-third. The proposal was first made by Minister of Planning Joao Sayad. And the day before yesterday, it was repeated by a former adviser to Delfim Netto, Ibrahim Eris, who was in a position for 5 years to put that suggestion into practice but did not do so.

The chairman of the Central Bank, Antonio Carlos Lemgruber, is continuing to say that there is no point in acting artificially in the market to reduce interest rates now, lose control of the monetary policy, and have to face hyperinflation in the future. Lemgruber recalls that the policy being proposed led previously to a monetary explosion in Brazil that saw a jump of 38 percent in the late 1970's and resulted in the 270-percent inflation rate inherited by the current administration.

The problem is that parts of the financial market are also putting severe pressure on the monetary authority, in this case the Central Bank. And one adviser comments that if a climate of confidence is not eventually established between the government and the market, the government will finally be forced to give in to some of the pressure. The adviser recalls that in 1983, those pressures even led to enactment of the 30-percent maxidevaluation of the cruzeiro.

Experts at the Ministry of Finance give examples to prove that the current restrictive monetary policy is the correct one: in 2.5 months, the country has managed to accumulate international reserves totaling \$500 million because of the high interest rates. If the rates are lowered, many people will put their money elsewhere--in Switzerland, for example.

11798

CSO: 3342/195

BRAZIL

SAYAD PROPOSES THREE MEASURES TO REDUCE INTEREST RATES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Jun 85 p 32

[Text] Rio de Janeiro--Yesterday at the War College and later at a press conference, Joao Sayad, minister-chief of the Planning Secretariat of the Presidency, again defended the need for lower interest rates as the basic condition for priming investment and permitting a resumption of economic growth at a level of 6 percent in the GDP, in his estimation, over the next 3-year period.

Sayad explained that the leading firms which give the private sector its momentum have reduced their indebtedness and are in a perfect position to head up economic growth in a sustained manner, especially in the areas of exports and agriculture. But if that objective is to be attained, a drop in the interest rates is essential.

The minister-chief of the Planning Secretariat considers it desirable that the interest rate in Brazil not exceed the real rate of 6 percent on the external market plus the percentage by which the currency has been devalued. In his opinion, that would constitute a bearable level and one capable of facilitating the government's task of causing the country to grow at a rate of 6 percent annually and to maintain that rate through 1987.

How To Do it

To reduce interest rates, Sayad proposed three measures to be adopted simultaneously: 1) a reduction in the national debt, to be facilitated by the lower interest rate, which influences its growth; 2) increased tax collections, partly by increasing taxes and partly by improving the collection system; and 3) a reduction in spending by the public sector.

Sayad admitted that the government might even expand its level of borrowing to increase the monetary base somewhat and make more funds available to the private sector to maintain the economic growth that would result from lower interest rates. He expressed the conviction that it would be acceptable to expand the monetary base by about 150 percent or 180 percent--a little below the 200-percent inflation rate for this year.

The minister-chief of the Planning Secretariat feels that there is sufficient space for the economy to grow and that that space could easily be occupied by



efficient firms in the private sector--especially those in the agricultural and export sectors. In his opinion, Brazil could sustain that growth even while having to pay an annual \$12 billion in interest to its foreign creditors, although he does not rule out the possibility of obtaining a little help in the form of foreign funds.

According to Sayad, the public sector--the country's biggest debtor--and the taxpayers would be the chief beneficiaries of lower interest rates. The minister said: "The best deal today is to build up a stock of ORTN's [National Treasury Readjustable Bonds] and LTN's [National Treasury Bills] at home."

#### No Resistance

The minister-chief of the Planning Secretariat acknowledged the existence of technical problems blocking the way to lower interest rates, but he would not admit that there is resistance in the government to his idea. The matter is being discussed among the authorities, he said, and he emphasized that relations between him and Minister of Finance Francisco Dornelles are close. He commented: "So close, in fact, that I was in a meeting with him until midnight last night (Tuesday)."

Sayad also expressed concern over the current formula for monetary correction in view of the slowing trend in the rate of inflation. He feels that the formula must be retained, but that its calculation should include only the inflation index for the previous 2 months rather than the previous 3 months, as is now the case.

11798

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BRAZIL

FOREIGN INTEREST IN EXPANSION OF GOLD PRODUCTION CAPACITY

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German 29 May 85 p 2

[Text] Rio de Janeiro--Gold production in Brazil could reach new dimensions in the future as a consequence of new activity by the CPRM [Mineral Resources Prospecting Company], which is subordinate to the Ministry of Mines and Energy, in the attempt it has initiated to interest large firms--that is, well-capitalized ones--in the search for gold, even where such firms have had no experience up to now in exploring for mineral wealth. It is said that the only important consideration in the selection of these firms is a sound financial situation which will guarantee a certain volume and continuity in prospecting and in working the finds. The numerous deposits discovered up to now (above all in the Amazon region) justify--according to a report by the official gold buyer, the Central Bank--an intensification of exploitation, which could cause Brazil to rise to the position of third-largest gold producer in the world in the near future.

For example, for some time now the CPRM has been negotiating with one of the country's large supermarket chains (Casa da Banha CB) concerning prospecting rights in the Rio Madeira. The firm intends to establish a subsidiary company--the Mineracao CB--which is to have a dredging capacity of 200,000 cubic meters per month for use in washing out the gold-bearing gravel of the river bed. Initially the CPRM will provide the technical personnel for the gold washing, and after commencement of the extraction it will convey over the prospecting rights. Negotiations are still going on concerning the amount of the royalties which the CB group must pay to the CPRM for these prospecting rights, an amount which depends on the profitability of the deposit.

Furthermore, the Shell do Brasil Group and the Verolme Shipyards have joined forces to form the mining company Mineracao Rio Jatoba SA (with headquarters in Belem, State of Para). Verolme, a totally national firm, holds 51 percent of the capital stock in this company, which is to be engaged in prospecting for and working alluvial gold deposits along the Rio Jatoba. With that the Shell group, which has already risen to the position of the largest private investor in Brazil's mineral sector with its input of \$800 million so far, has now expanded its activities to gold as well.

Shell's main investments are the Alumar aluminum metallurgical works and the Mineracao Rio do Norte SA bauxite mine on the Rio Trombetas, a tributary on the left bank of the Amazon. In addition, together with Alcoa Aluminio SA (60 percent), it has formed the Mineracao Alcoa SA, in which it has a 40-percent share. This company will be working a bauxite deposit that is likewise situated in the Trombetas region. Production is scheduled to begin in 1989, with an output of 2 million tons per year anticipated.

Confab Industrial SA, a heavy-industry firm, recently announced the acquisition of 50 percent of the capital stock of Oca-Mineracao Ltda. for \$1.5 million. Thus it too is continuing its diversification in the direction of gold recovery. Oca is a mining company under family ownership with prospecting rights to an alluvial gold deposit in the State of Para. It has been seeking capital so that it can increase threefold its ore dressing, which at present runs to 20,000 cubic meters of gold-bearing material.

Moreover, the South African General Mining Union Corp. Ltd. has now definitely decided to reactivate the gold mine of Mineracao Sao Bento located in Minas Gerais. The result of the soil examinations and explorations, for which about \$16 million was spent, justifies the \$90 million estimated to be needed for capital expenditures, the president of Mineracao Sao Bento stated. He said that this sum is needed in order to improve the tunnels and modernize the mechanical equipment. From 1987 on, the dressing of 20,000 tons of ore monthly is to begin. With an average metal content of 11 grams per ton, it is said that production can be maintained for approximately 20 years before the deposit is exhausted.

At present the CPRM is making provisions on another 10 areas containing gold deposits for transfer to private hands or for partnerships with private companies. The bidding invitation has to do with prospecting areas containing alluvial gold deposits in the river valleys of the Tapajos and Madeira (both of them right-bank Amazon tributaries), whose significance as an "Eldorado" grows from year to year. The majority of the private firms which want to be involved with the CPRM in this gold recovery are construction companies. In this additional activity they see a way of employing the machinery they are not now using because of the prevailing stagnation in structural and civil engineering.

The goal of the CPRM is to form a total of 112 associations with private companies by mid-1985, mobilizing in this way about \$100 million for prospecting and gold recovery. Since the beginning of bidding invitations in December 1983, 77 concessions have already been awarded--including those from the latest invitations at the start of 1985 concerning 15 gold deposits--in each case in partnership with the CPRM. In each of these trade-investment projects the private partners must commit themselves to an investment of \$1 million or the equivalent in cruzeiros. In turn the CPRM has the obligation of bringing the infrastructure of the project to a state where mining can begin.

Under the assumption that in the course of 1985 the exploitation can commence in the majority of the projects now in the preparatory stage, the

CPRM expects a production of 10 to 15 tons of gold in the areas awarded by it in the river valleys of the Tapajos and Madeira and also in the regions of Gurupu in Maranhao, Irapetim and Serrita in Pernambuco, Gentio de Ouro in Bahia, Rio Ribeira and Padre Cubas in Sao Paulo, Itajai-Acu in Santa Catarina, and Uirapuru in Amapa. The management of the CPRM is convinced that in 3 or 4 years, in the deposits of the Itajuba region on the Rio Tapajos, for example, 60 to 70 tons of gold per year could be washed, which would thus exceed even the production of the Serra Pelada.

According to information from the management, in this region--which is about 1 million hectares in size--the CPM has already discovered 50 deposits, and of these it has cleared ten for exploitation by now. The expenditures of the CPRM since the beginning of its activity have been put at 1,497 billion cruzeiros. In a publication by the DNPM [National Department for Mineral Production], the outputs in the most important "garimpos"--as the deposits that are worked in a rudimentary manner by gold washers are called--are given as follows:

Production of Selected "Garimpos," in Kilograms

<u>Deposit</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>Total</u>
Serra Pelada	6,842	6,820	2,591	13,946	1,739	31,938
Tapajos Valley	2,983	5,922	7,667	8,000	4,744	29,316
Cumaru	--	1,537	1,584	5,000	3,627	11,748

The significance of the Serra Pelada, a region in which the geologists suspect that there are about 500 tons of gold, arises from the size of the gold nuggets unearthed from there. On 13 September 1983, a nugget was found weighing 62.3 kilograms (hitherto the second-largest in the world), following that another nugget of 62.3 kilograms was found (hitherto the second-largest in the world) [sic: lines possibly inadvertently repeated in original]), then other nuggets weighing 42.7 and 36.1 kilograms. In addition a gold prospector found at a single site nine gold nuggets which together weighed 118.8 kilograms. The two largest weighed 39.5 and 38.1 kilograms.

Up to now there has not been any detailed information on the Brazilian gold recovery. With the exception of 1978, it ranged between 4,500 and 5,800 kilograms per year up to 1979 (1978 = 9,339 kilograms). Production has risen considerably only in the last 5 years, reaching 60,854 kilograms in 1984. These numbers come from the Federal Savings Bank, which buys up the gold on behalf of the Central Bank. But because it has a presence only in the larger "garimpos," it itself concedes that quite a lot of the gold that is washed in the remote find sites is still disappearing into "unofficial channels."

Recently it was stated by the DNPM that of the total quantity of gold extracted in 1984, evidently only about 50 percent was tendered to the official primary buyers. It said that compared to the previous year, in

which the "leakage" was about 30 percent, this signifies a pronounced change for the worse. In his statements, the representative of the DNPM gives a basis for the fact that last year production rose only by 7,000 kilograms compared to 1983, although in the Tapajos Valley the number of "garimpos" distinctly increased. In the Serra Pelada, the best-supervised gold deposit in the country, he estimated that the amount officially delivered over was about 80 percent of the actual output. He said that the gold panners did not sell all of their gold to the Federal Savings Bank because they wanted to save on income taxes; a portion of their findings goes to various middlemen.

It was said that it is hard to foresee how much gold production can be expected for the current year, because the severe drop in the official gold price is not being offset either by the unofficial market rate of the dollar or by inflation, and therefore the interest of the "garimeiros" in gold prospecting has declined (less so that of the companies which are engaged in working the deposits with machinery).

The former minister of mining and energy, Cesar Cals, is even more skeptical. He assumes that in 1984 as much as 200 tons of gold were recovered--that is, not even quite a third passed into the official channels. What was at work here, he said, was not so much tax considerations as it was instead the fact that the Federal Savings Bank occasionally has not had enough funds available for buying the gold tendered to it, and so the gold panners were compelled to some degree to offer their output to other buyers.

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CSO: 3420/65

BRAZIL

DISCOVERY OF NEW GAS DEPOSIT MAY DOUBLE RESERVES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 Jun 85 p 28

[Text] Rio de Janeiro--Natural gas reserves in Bahia, which currently total 8 billion cubic meters, will probably double as a result of discovery by PETROBRAS of a deposit in the Miranga Profundo field on the Bahia coastal plain. This opens up new prospects for supplying the Camacari petrochemical complex and guaranteeing gas supplies for industry in that state.

The discovery resulted from reinterpretation of data from the Miranga oil field at depths below those where the petroleum reservoirs are located. Miranga is a deposit that was discovered in 1965, and 365 wells have been drilled there to date. Their production is currently declining. In 1967, in one of the wells in the field known as Miranga Profundo No 1, PETROBRAS experts detected the presence of hydrocarbons (petroleum and/or natural gas) at a depth of 4,230 meters. Tests at the time showed that the deposits were not productive.

But reinterpretation of the data that had been collected and closer familiarity with the geological characteristics of the Bahia coastal plain led to further drilling in the Miranga-324 well, the objective being to test the new geological model prepared by PETROBRAS experts. In that well, PETROBRAS found gas not associated with petroleum, meaning that the reservoir consists solely of natural gas.

More Production

So far, PETROBRAS has drilled three gas wells in the Miranga Profundo well, with production being achieved at a depth of 3,100 meters. By April, one of them had produced 14.6 million cubic meters at an average daily production of 100,000 cubic meters. Another three are being drilled, and the firm's Development Department has now approved the drilling of four more.

Experts estimate the recoverable volume of nonassociated gas in the Miranga Profundo field at 6.5 billion cubic meters. This will increase gas production from that deposit by 1 million cubic meters per day. Current reserves of non-associated gas in Bahia total 8 billion cubic meters, and production totals 2.4 million cubic meters per day.

11798

CSO: 3342/195



BRAZIL

JOINT NAVAL MANEUVERS WITH NIGERIA, ARMS EXPORTS

Bilateral Military Cooperation

Sao Paulo FOLHA DE SAO PAULO in Portuguese 15 May 85 p 7

[Text] Brasilia--The governments of Brazil and Nigeria decided to carry out bilateral military cooperation and, with that in mind, are likely to conduct joint naval maneuvers later this year involving the navies of the two countries. The military cooperation, according to Itamaraty [Foreign Affairs Ministry], will extend to training of Nigerian officers and sailors by the Navy of Brazil and also training of Nigerian military pilots by the FAB [Brazilian Air Force]. Within cooperation in aviation, Brazil is to sell 50 aircraft of the Tucano type to Nigeria for training that country's pilots.

The decisions of mutual understanding in the military area were made at the end of the meeting of the Joint Brazil/Nigeria Commission yesterday in Itamaraty. Furnishing weapons for the Nigerian Army was excluded because the negotiations on this subject were not considered to be concluded.

Oil

The meeting of the Joint Commission was presided over by Foreign Affairs Minister Olavo Setubal and the planning minister of Nigeria, Michael S. Adigun. Also under discussion were increased supplies of petroleum from that country for Brazil (Petrobras is currently importing 146,000 barrels of Nigerian petroleum daily) and supplying of Brazilian food-industry and agricultural products to Nigeria..

Discussions about trade relations also included financing arrangements for purchasing Brazilian products. It was decided that Petrobras will pay cash for the oil it buys from Nigeria, but the money will be deposited in a special account in New York, from which withdrawals can be made only to pay for goods purchased in the Brazilian market.

Arms Exports

Sao Paulo FOLHA DE SAO PAULO in Portuguese 14 May 85 p 15

[Text] Brasilia--In Itamaraty Palace yesterday, Brazil and Nigeria began discussions about the possibility of Brazilian arms exports to the Nigerian market,

especially the Tucano training aircraft made by EMBRAER [Brazilian Aeronautics Company] and the Cascavel and Urutu armored vehicles made by ENGESA [Specialized Engineers, Inc.].

This transaction is being discussed by the Brazil/Nigeria Joint Commission, under the presidency of the Brazilian foreign affairs minister, Olavo Setubal, and the Nigerian planning minister, Michael S. Adigun, who was received yesterday in an audience by President Jose Sarney.

Nigeria is Brazil's leading trade partner in Africa. In 1985 [as published; 1984?] their bilateral trade reached \$1.6 billion (with a \$300 million surplus in favor of Nigeria) and prospects for 1985 are for reaching trade of \$2 billion, which would place Nigeria among Brazil's four principal foreign-trade partners.

The Joint Commission will also study the possibility of expanding sales of Nigerian oil to Petrobras, which reached 100,000 barrels daily in 1984.

8834

CSO: 3342/190

BRAZIL

PROSPECTS FOR INCREASED NIOBIUM EXPORTS DISCUSSED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 6 Jun 85 p 26

[Text] The prospect of a change in the profile of world steel production means that Brazil may increase its share of ferroalloy exports by increasing its exports of ferroniobium by 5 or 6 percent annually. That is the prediction by Julio Cesar Gaertner, sales manager at the Brazilian Mining and Metallurgy Company (CBMM). According to Gaertner, Brazil is currently the world's largest producer of niobium. Its reserves exceed 30 million tons, or enough to supply steel mills for about 500 years at the present rate of consumption. He adds, however, that the fact that Brazil has 97 percent of the known niobium reserves constitutes an obstacle to expansion of the market.

Steel firms--chiefly those that produce steel using advanced technology, an example being the suppliers of material for the manufacture of aircraft turbines--are afraid of becoming dependent on a single source of supply, says Gaertner. In addition, niobium faces competition from other ferroalloying elements such as titanium, molybdenum, and vanadium (the latter, produced on a large scale in the United States, also exists in quantity in China).

Despite those two disadvantages, the CBMM has succeeded in improving its performance and expects about \$95 million worth of exports this year, with sales rising to 9,000 tons, compared to 8,000 tons in 1984.

That performance, Gaertner adds, is the result of a policy developed by the company and aimed at exports, chiefly to the United States. The CBMM's sales manager says that about 96 percent of the firm's production goes to the foreign market, with the result that the CBMM was designed to ensure guaranteed supplies for importers: its installed capacity is 22,000 tons of ferroniobium annually. To guarantee that figure, the CBMM is investing about \$10 million during the 1985-1987 biennium in three projects for the modernization of production.

Moreover, says Gaertner, the firm has been investing about 1.5 or 2 percent of its revenues in R&D for new steel manufacturing technologies and the use of niobium--ranging from the production of high strength low alloy steels to special high-tech steels. That kind of work enables the CBMM to increase its penetration of the foreign market, where it is more difficult to break the tradition of using other ferroalloy materials.

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CSO: 3342/195

BRAZIL

CZECH INTEREST IN INCREASED TRADE RELATIONS

Brasilia CORREIO BRAZILIENSE in Portuguese 30 May 85 p 10

[Text] "Czechoslovakia is interested in reviving trade with Brazil," the press aide of the Czechoslovakia embassy, Jindrich Opava, asserted yesterday shortly after Itamarati [Foreign Affairs Ministry] had announced the official visit the Czechoslovak foreign trade minister, Bohumil Urban, will make to this country beginning on 1 July. Besides Brasilia, the Czech minister will visit Manaus and Recife, to hold meetings at the cement plants of the Joao Santos Group, built with equipment furnished by Czechoslovakia.

At least seven cabinet ministers--the ministers of finance, mines and energy, science and technology, interior, industry and commerce, planning and foreign affairs--will meet with Minister Urban in Brasilia. This list gives the impression that the New Republic, in theory, is ready to examine all possibilities that are open for the relationship with Czechoslovakia, although the Brazilian Government has not expressed itself in regard to the offer of the Czechs to participate in the Carajas project.

Concern

Bohumil Urban is the first foreign-trade minister of a socialist European country to come and transmit to the new authorities his government's concern about the reduction of bilateral trade and the persistent surplus obtained by Brazil in the trade balance. Despite Brazil's effort in recent years to increase trade with East Europe, the results have not been very encouraging.

Brazilian exports to East Europe last year were \$1.358 billion, while imports were limited to \$420 million. With Czechoslovakia, Brazil had a surplus of about \$70 million in 1984, when it exported \$81,779,000, less than in 1983, when exports were \$136,905,000.

The press aide of the embassy of Czechoslovakia, Jundrich Opava, said that the main objective of the foreign-trade minister's visit is to increase trade with Brazil, if possible, to the same levels as 1981, when it reached \$240 million. Brazil's major export is iron ore, followed by soybeans and coffee. The sale of iron ore is governed by a contract in which Brazil will furnish 14 million tons to Czechoslovakia through 1990.

Czechoslovakia would like to participate in the Carajas Project, furnishing machinery and equipment to Brazil, and is waiting for a reply from the Brazilian Government in regard to this, the Czech diplomat reported. "We can also offer Brazil many things in the area of technology," he emphasized, "including irrigation equipment." An Itamarati source reported that meetings have already been initiated for establishing cooperation in the field of agricultural technology, involving EMBRAPA [Brazilian Agriculture and Livestock Research Enterprise].

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BRAZIL

FUNDING SOUGHT TO PREVENT SPREAD OF CITRUS CANCER

Foreign Sales Jeopardized

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Jun 85 p 31

[Text] Today, along with the secretary of agriculture, Nelson Mancini Nicolau, the leaders of the Sao Paulo citrus growers will meet with Governor Franco Montoro, whom they will request to intervene with the federal government, through the Secretariat of Planning, for the release of 23 billion cruzeiros allocated to combat citrus canker. The report is from Mancini himself, who was at the Lime Experimental Station in Cordeiropolis on Monday, on the occasion of the opening of Citrus Cultivation Week. He promised to lend full support to the campaign, "owing to the importance of citrus growing in Sao Paulo, currently one of the few productive sectors experiencing less anxious times than the others."

According to the chairman of the Sao Paulo Citrus Growers Association (ASSOCITROS), Nelson Marqueselli, the producers' situation is serious; because at present, whenever a focus of the disease appears, the teams from the Secretariat of Agriculture and Fundecitros (responsible for combating the canker) do not arrive on the site until about 30 days have elapsed, damaging sales to the United States, "which does not purchase concentrated orange juice from countries which fail to provide for the combating of citrus canker."

Upsets

Moreover, the chairman of the Brazilian Citrus Fruit Association (ABRASUCOS), Hans George Krauss, issued a warning about the possible negative consequences of the euphoria caused by the new frosts occurring in the U.S. at the beginning of the year, which "could soon thwart this year's expectations and bring about unforeseeable upsets for the years to come." He claimed that the frosts which recently affected Florida did not have the dimensions boasted by the production sectors and said that the high prices in effect on the market have been causing negative effects because, combined with the tax burden and the frequent devaluations of the European currencies with respect to the dollar, they will prompt the European Common Market countries to reduce their purchases of Brazilian juice.

The chairman of ABRASUCOS notes that the U.S. domestic consumption is tending to stabilize, because only at the end of 1984 did the American public begin

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consuming the juice purchased by the importers, at \$1,800 per ton. Based upon his reasoning, this fact (together with the factors which could affect the exports to the EEC and to the U.S., in volume) leads one to believe that the stocks held by the importing firms at the beginning of this year are the largest in recent years, "perhaps the largest in our entire history, for which reason a decline in Brazilian exports is virtually assured."

#### Sao Paulo Producers Complain

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jun 85 p 20

[Text] The national citrus growing industry will be jeopardized if the federal government does not release 27.6 billion cruzeiros this year for the campaign to combat the canker in the states of Sao Paulo, Parana, Rio Grande do Sul, Mato Grosso do Sul and Mato Grosso. The canker is a disease caused by bacteria which attack leaves, fruit and shoots of orange trees, making the plant useless. In 1984, the country accrued \$1.6 billion from orange juice exports, becoming the largest world supplier of the product.

In Sao Paulo, there are 18,000 orange producers and 16 juice industries which offer 150,000 direct jobs and 650,000 indirect ones, according to the Sao Paulo Citrus Growing Protection Foundation (Fundecitrus). Of the 29.9 billion cruzeiros stipulated for 1985 as funds for the National Campaign to Eradicate Citrus Canker (Canece), the Ministry of Agriculture has actually made only 2.27 billion cruzeiros available.

This week, Domingos Fasanella, president of Fundecitrus, sent the minister of planning, Joao Sayad, a document expressing his concern over the constant "elimination of the funds necessary for conserving the Brazilian citrus supply." He said that the citrus agroindustry ranks third in the category of national exports, outranked only by the soybean and coffee complexes.

In the case of Sao Paulo, which is the largest producer, Fasanella said that, this year, the Ministry of Agriculture released only 900 million cruzeiros, with a 90 percent reduction. The total funds for combating the canker have been integrated by the Sao Paulo Secretariat of Agriculture and Fundecitrus, which manages a private fund resulting from contributions from producers and manufacturers.

Federal Deputy Ruy Codo (PMDB [Brazilian Democratic Movement Party]-SP) also put his appeal to Minister Sayad in these terms: "I urge Your Excellency to heed the appeals from Fundecitrus, which combines the interests of all the juice producers and manufacturers, by providing the funds as quickly as possible." The minister promised to study the matter promptly.

Citrus canker was reported for the first time in 1957, in the municipality of Presidente Prudente (SP). It is the leading damaging citrus pest, owing to the harmful results that its attack on the plants causes. After the plant has been contaminated there is no means for chemically combating it. There are restrictions on imports of fruit in the natural state imposed by most countries. The canker has decimated fruit orchards in Paraguay and Japan, which neglected to prevent the disease, according to Fundecitrus.

2909

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BRAZIL

OPPOSITION TO INCLUSION OF SERVICES ON GATT AGENDA VIEWED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jun 85 p 19

[Text] Brazil is not opposed to any proposal for actual easing of restrictions on commerce, but it is of the opinion that, before another round of GATT [General Agreement on Tariffs and Trade], the developed countries should meet the commitments that they assumed at the entity's ministerial meeting in 1982, and maintain strong opposition to the inclusion of services and investments in the GATT scope. This is Itamaraty's position regarding the atmosphere of increasing pressure on the part of the developed countries, headed by the United States, with backing from Japan and Germany, for a new round, the main purpose of which would be to include the services sector as coming within the jurisdiction of the organ which sets commercial standards.

As the businessman Laerte Setubal, chairman of the Association of Brazilian Exporters (AEB), and member of the Brazilian-U.S. Business Council, pointed out, it is the United States' intention to subject to GATT's jurisdiction a regulation of services determining sales, purchases and prices, among other factors, based on "access to the market." Interpreted as services are transportation and insurance, communications (including software), and financial and consulting services in areas such as engineering and accounting.

A discussion of the software trade in GATT was upheld last week by the commercial attache representing the United States, Ambassador Michael Smith, in a closed circuit television interview with Sao Paulo journalists. The ambassador claimed that the United States is insisting on that discussion because it considers the software trade as important as that of shoes or any other product, and said that he hoped Brazil "would assume more positive positions" concerning another round of GATT talks. Smith emphasized that Brazil has "special problems" in its trade with the U.S., such as computers and copyrights.

Pressure

In an address in Rio de Janeiro this week, Foreign Minister Olavo Setubal admitted that the government has been receiving pressure for another round of negotiations, and noted that the United States is considering the possibility of leaving the multilateral exchange system and heading toward a policy of bilateral agreements "with those partners that it considers closer to its own method of acting."

According to Setubal, the outcome of this issue represents an extremely important challenge for Brazilian foreign policy, inasmuch as the country is undergoing an as yet intermediate phase of industrialization, wherein it needs to ensure conditions for expansion and full maturity of the growth cycle that it is experiencing.

The foreign minister regarded it as "natural" that the developed countries should have different interests conflicting with those of the developing nations, because they are in a post-industrialization phase based on services and the production of high technology goods. The developing countries, on the other hand, want to protect their sectors which are not yet equipped to cope with the industrialized countries' production under free competition conditions.

The Brazilian position is that, rather than another round of commercial negotiations in Geneva, the developed countries should meet certain pre-conditions, such as keeping the commitments formally assumed at the GATT meeting of November 1982, which include the non-adoption of new trade barriers. Setubal also thinks that those countries should acknowledge the need for different and more favorable treatment for the developing nations in the commercial area.

#### SELA

Foreign Minister Olavo Setubal's statement on the issue is in keeping with the position adopted at the latest meeting of the Latin American Economic System, (SELA), held during October in Venezuela. The final document from the meeting (which was attended by representatives from 18 countries and five international entities) concluded that the GATT scope is limited to commercial standards, and that it has no authority to include the services area.

The document also upheld a joint position of the developing countries for rejecting the tendency toward bilateral agreements on the part of certain developed countries and for intensifying their individual or group negotiating capacity. The participants warned that bilateral agreements on service transactions could weaken the position of the developing countries and force concessions.

The AEB chairman, Laerte Setubal, cited the difficulty in discussing a matter such as services in an international environment, "because the definitions are intrinsically linked with each country's economy and culture." And he stressed that, although the services sector does not have for Brazil the weight as an economic factor that it has for the United States, its importance has been growing. In the U.S., seven out of every 10 employees are in the services sector, which generates over 60 percent of the GDP and accounts for 30 percent of the country's export revenue. In Brazil, the statistics are lower, but the services sector has had an expansion of over 7 percent during the past decade, accounting for under 10 percent of the GDP.

## Data Processing

The meeting of the Brazilian and American delegations to GATT on 13-14 June may, in fact, represent a first contact, on the GATT level, concerning the services trade. According to businessmen associated with the data processing sector, the United States' main purpose in requesting an amicable talk with Brazil is to sound out the country's intentions with regard to software, inasmuch as the market reserves of hardware have "already been assimilated."

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BRAZIL

NAVY APPROVES PRODUCTION OF FIRST SURFACE-SURFACE MISSILE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 11 Jun 85 p 6

[Excerpt] The naval staff, under the leadership of the minister of Navy, Adm Henrique Saboia, approved the plan for the production of the first Brazilian missile for naval use ; surface to surface, employing native technology. This information was released yesterday on an exclusive basis to O ESTADO DE SAO PAULO and JORNAL DA TARDE by the Navy. The project will be coordinated by the Naval Research Institute (IPQM), located in Rio de Janeiro.

As was observed by the Brazilian naval staff and the minister of Navy, the plan for the surface-surface missile is quite viable, in view of the actual technological development already achieved by the Navy.

There were three options which were studied in recent years. The first was to purchase the missile abroad; the second, to turn the project over to a native business firm; and the third was to form an association with a foreign firm.

The options taken by the Navy were: first, to purchase the French "Exocet" missile for the first corvettes in the Naval Reequipping Plan; second, to adopt a national project which would assuredly afford the prospect of guaranteeing Brazil's self-sufficiency in the production of one of the most sophisticated and critical modern weapons, the missile, for which the country could not continue to be dependent, at the risk of its capacity to defend its sovereignty being constantly reduced.

This decision was made jointly by the naval staff and Minister Henrique Saboia, after an intensive study which indicated the total viability of the project, both from a technological standpoint and a financial one (it will make it possible to substitute for imports and expand the sophisticated weapons market for Brazil), as well as in the industrial realm.

Three Submarines

Another decision made by the naval staff, and announced yesterday exclusively to O ESTADO and JORNAL DA TARDE, was that regarding the construction of three submarines at the Rio de Janeiro Naval Arsenal similar to the one under construction in the Federal Republic of Germany. The technological, industrial and financial viability of the project has also been confirmed and, in its

first phase, it will allow for the restructuring of the Naval Arsenal which, in the course of the study, showed the capacity for executing it. The reopening of the competitive bidding for the construction of two corvettes in civilian shipyards has also been confirmed.

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BRAZIL

MILITARY PERCEPTIONS OF DARK CLOUDS IN FUTURE REFUTED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Jun 85 p 4

[Text] Brasilia--"We are in a process of political adjustment--a process of evolution and swift democratic opening up. No situation of chaos is taking shape in the country." That observation was made yesterday by two military ministers: Adm Henrique Saboia, minister of navy, and General Moreira Lima, minister of air. They were refuting rumors that leaders in the old republic, among them former President Ernesto Geisel, were seeing dark clouds in the country's political future.

"There is nothing like that. The country is quiet. Armed intervention for what?" was the amazed comment by Minister Henrique Saboia, who also made it clear that he was making those observations on the national situation contrary to his custom and intention. The minister was also terse concerning the government's announced agrarian reform, a controversial topic: "I feel that there is a lot of misunderstanding surrounding the plan for agrarian reform."

Minister Moreira Lima went further concerning the situation in the country: "That prediction reflects a natural concern on the part of someone who has held a major responsibility in the country. But we are not worried."

Admiral Saboia agreed in these words: "Brazil is experiencing economic and social difficulties that are being tackled to the extent possible. But there is no chaos. I feel that the New Republic is going well."

At his press conference, Minister Saboia talked primarily about matters related to the Ministry of Navy, but he also expressed his opinion concerning reports of a reorganization of movements on the right. He said: "Aren't we in a democracy? Isn't the Left also talking? So there is no problem if the Right is talking. After all, the essence of the democratic spirit is that everyone should express himself."

Like his colleague in the army, the minister of navy will pay a courtesy visit to the speaker of the Chamber of Deputies and the president of the Senate on the 20th. On 26 June, he will again be at the Chamber of Deputies to attend a meeting by the Foreign Affairs Committee, where he will defend the navy's stand on reducing the extent of our territorial waters from 200 to 12 miles, with a 188-mile economic zone. He feels that another item in the Convention on the

Law of the Sea--exploitation of the various metals contained in nodules on the 350-mile continental shelf--is not a controversial question.

Adm Henrique Saboia reaffirmed the spirit of the meeting held at Planalto Palace a week ago by all the military ministers: "Our only purpose was to discuss the inclusion of Armed Forces development in the Fourth PND (National Development Plan). We recognize that the country's pressing problems are socioeconomic, but the Armed Forces must be taken into account in the PND. After all, the country's security must necessarily be considered."

In that context, Admiral Saboia expressed his concern over the cuts in the navy's budget, but said that despite the difficulties, no essential elements of the service would be affected: "The priorities are the naval forces, the ships, and the men--everything required for the operational readiness and maintenance of the service and its resources in ships and men."

He concluded by saying: "Our duty is to do everything we can with the resources that the nation can place at our disposal. The difficulties do not relieve us of the responsibilities that are ours, and when we cannot do everything we must, then we must do everything we can"--a quotation from Admiral Frontin.

Although emphasizing that the navy has been conducting itself in the most professional and efficient manner possible with the means at its disposal, Minister Henrique Saboia lamented: "The navy is not equal to its tasks, considering the interests of a nation the size of ours."

11798

CSO: 3342/195

JPRS-LAM-85-061  
19 July 1985

## BRIEFS

ELECTRIC CONSUMPTION UP--The consumption of electric power increased 16.2 percent during April, in comparison with the same month in 1984; while for the 12-month period ending in April, the expansion of the consumption totaled 12.1 percent, as ELETROBRAS [Brazilian Electric Power Companies, Inc] reported yesterday. Since the system for generating and distributing electric power cannot grow at the same speed, the president of ELETROBRAS, Mario Bhering, predicts crises in the supply of electric power to the large urban centers, and for prolonged periods of time. During the 12-month period ending this April, the industrial consumption (which accounts for 55.1 percent of the market) increased 18.4 percent, influenced by the rise in the use of electro-thermal processes, consisting of the use of electric power instead of petroleum derivatives by industries; something which took place primarily in Sao Paulo. During the past 12 months, the residential and commercial consumption, representing 20.4 and 11.6 percent of the market, respectively, showed cumulative increments of 3.8 and 4.1 percent. In April, the residential consumption increased 13.1 percent, while the commercial consumption rose 11.2 percent. The largest increase in the market occurred in the Northeast region, with 16 percent during the past 12 months, whereas the least expansion took place in the Northern region, with 6.6 percent. In the area accounting for 70 percent of the market and served by Furnas, where the country's largest industrial facilities are located (the Southern and Southeastern regions), electric power consumption rose 11.7 percent during the past 12 months. In the Chesf (Sao Francisco Hydroelectric Powerplants) area, which accounts for 13.2 percent of the market, the electric power consumption increased 10.3 percent. In the Eletronorte [Northern Electric Powerplants] area, the expansion in consumption amounted to 39.7 percent, and it rose 11 percent in the Eletrosul [Southern Electric Powerplants] area. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 11 Jun 85 p 34] 2909

FIBER OPTICS FOR TEST SITE--The Marambaia proving grounds in Rio de Janeiro, used by the army for testing missiles, now has fiber optics made by the cable division of Pirelli's Brazilian firm. The optical fibers replace the conventional copper cables in systems for telecommunications, data transmission and signaling. For the Marambaia proving grounds, Pirelli has furnished 300 meters of fiber-optics cable that connect the radar with the field's control center. Made with a special glass, the optical fiber--a filament a little thicker than a strand of hair--has several advantages when compared with copper cable. Among the advantages are the small size, high transmission capacity, immunity to interference and abundance of the raw material used in its manufacture (quartz). In the case of Marambaia, the optical fibers, unlike conventional cables, are not attacked by salt. [Text] [Rio de Janeiro O GLOBO in Portuguese 20 May 85 p 15] 8834



CUBA

LEON TORRAS ON TRADE WITH WEST, NATION'S CREDITWORTHINESS

Havana GRANMA in Spanish 20 May 85 p 6

/Article by Francisco Forteza/

/Excerpt/ London, 18 May, (PRENSA LATINA)--Cuba has consistently reduced a portion of the foreign debt service that it has been renegotiating and is seeking to expedite, as much as possible, the full normalization of its financial relations with market economy countries.

In an interview granted to PRENSA LATINA, the minister president of the National Bank of Cuba (BNC), Raul Leon Torras, said that the agreements are being reached despite the extremely adverse circumstances surrounding his country's relations with this market.

Leon Torras underscored the fact that Cuba's position of reducing a portion of the foreign debt service is a result of measures that have been taken and the nature of Cuban trade with the socialist countries, particularly with the Soviet Union where trade on unequal terms is not present.

The minister said that in 1983, Cuba refinanced 53 percent of the service, in 1984, 40 percent and in 1985, it expects to refinance 29 percent.

Leon Torras said that his visit to the United Kingdom was in connection with a Cuban proposal aimed at increasing trade with market economy countries which are Cuba's creditors.

The proposal seeks to establish linkage with the process of debt renegotiation in order to expedite as much as possible, the aforesaid normalization of financial relations.

To this end, he said, an exchange of views is taking place in London with officials of the Foreign Office, the British Commonwealth and the Bank of England, as well as with some of the principal banks doing business with the BNC.

Leon Torras pointed out that banking circles have accorded him a favorable reception. He said that he had voiced his acknowledgement to the British Government and to the banks, regarding the constructive posture they have always taken on the problem of the Cuban debt refinancing.

The official said that he had received statements in recognition of Cuba's conduct as a serious country that honors its international financial commitments.

The BNC minister president confirmed the fact that the topic of the Latin American debt was discussed during his talks. He said that it was "of great interest to all because of the very serious nature of the problem."

Leon Torras said that while his country finds it feasible to deal with the debt problem, it is impossible for Latin America to deal with its own. What is needed, he said, just as President Fidel Castro has recently stated, is a quest for new formulas.

12674

CSO: 3248/416

CUBA

'DIFFERENT VIEWS' MARK SEMINAR WITH FRG ON WEST EUROPE

Havana GRANMA in Spanish 17 May 85 p 3

/Article by Nidia Diaz/

/Text/ After 3 days of intensive sessions, the West Europe International Seminar on Social and Economic Changes closed yesterday at the Convention Palace. The event was sponsored by the Center of Studies on West Europe, on coordination with the Friedrich Ebert Foundation.

Climaxing the event was a roundtable discussion in which both sides agreed on the need to maintain peace and reduce military expenditures in order to deal with development problems. During the discussion, the Cuban side aired its views regarding the most pressing problems in the world, particularly the foreign debt. The West German professors also presented their viewpoints on the subject, which, logically, were based on their political positions and their perceptions of the issues.

Participating in the discussion on the Cuban side were Ricardo Alarcon, vice foreign minister; Carlos Martinez Salsamendi, adviser to Carlos Rafael Rodriguez; Ernesto Escobar, deputy chief of the General Department of Foreign Affairs of the party Central Committee and the heads of the centers of study on West Europe, America and the world economy.

Figuring among the 10 delegates representing the Federal Republic of Germany at the event were, Hans Matthofer, member of the Federal Parliament and minister for research and technology, and finance, during the period 1974-1982; Hans-Ulrich Klose, mayor of the federal state of Hamburg and also a member of the Federal Parliament and Gerd Thiebach, and economist and member of the secretariat of the so-called Brandt Commission.

The delegates divided their agenda into three thematic groupings: the crisis of the anticrisis, political and economic strategies in West Europe continuity and changes in party democracy in West Europe and West European cooperation with the Third World.

Papers were also read on France, the United Kingdom, Spain and the Federal Republic of Germany, as well as on the problems of the foreign debt and the world economic crisis. The latter paper became the topic of the greatest discussion because of the differences of perception by both sides.

Attending as delegates were prestigious economists, journalists, professors, researchers and political analysts from West Germany and Cuba.

Closing the event, Domingo Garcia, director of the Center of Studies on West Europe, expressed his appreciation to those present. He said that their presence attested to the possibility of cooperation between scientific institutions of countries with different economic and social systems.

At the conclusion of the event, the West German delegation held a press conference.

12674

CSO: 3248/416

CUBA

## OIL USE IN SUGAR REFINERIES EXCEEDING ESTIMATES

Havana GRANMA in Spanish 9 May 85 p 6

/Article by Juan Varela Perez/

/Text/ At first it was thought that the current harvest would see a marked reduction in the quantity of oil used in the refinery of sugar. Time and circumstances, however, have proved the reverse.

Instead of using a little less than 41 gallons of oil per ton of the finished product by the end of April, 53 gallons were actually used.

Among the worst off of the sugar refineries are the Manuel Martinez Prieto, Argentina and Frank Pais. Also using excessive quantities of oil are the Jose Marti, Abraham Lincoln, Quintin Banderas, Espana Republicana and Ecuador refineries.

Few of the refineries have escaped the onus of high consumption. The best example is the Chiquitico Fabregat plant in Villa Clara. For several harvests now its refinery has used bagasse instead of petroleum as its fuel.

A good energy balance, an optimum use of energy resources, and a high operational efficiency, have assured a continuing economic accomplishment.

In this respect, the Ramon Ponciano sugar refinery in Sancti Spiritus has earned points to its credit. Although it has experienced difficulties in other areas--its production is inefficient and it is getting poor results--it must be said in this regard that oil has not been used in the production of refined sugar.

During the same period in the last harvest, national petroleum consumption for the production of refined sugar was lower: 11.5 gallons less per ton.

This negative index has worsened in the last 10 weeks. Although it has not yet reached a gallon per ton, it must be watched more closely because a dangerously rising trend is apparent.

So far, three units have met their goals: the Chiquitico Fabregat, the Ramon Ponciano, and the Camilo Cienfuegos. Slightly inferior performance was noted at the Jose Antonio Echeverria and the George Washington plants.



Workers and managers of some of the most excessive oil consumers think that low production figures and a shortage of bagasse, together with operational deficiencies, figure among the causes of the drop in this indicator.

This was the opinion at the Ecuador sugar refinery in Ciego de Avila. This reporter went there and asked: If you have attained a high performance rating with respect to the refined sugar that you deliver daily (average tonnage), why is it that your oil consumption is above normal?

They replied: We do not want to make excuses nor to evade any other responsibilities, but there is an essential reason: the bagasse that was promised to us by neighboring enterprises was not received in the quantities that had been planned. They then showed me the figures confirming what their technicians had said: if the Ecuador plant had received sufficient bagasse, it would have figured today among the plants that had used the least oil.

We have already reported on the Abraham Lincoln and the Manuel Martinez Prieto plants. When the harvest began, they proclaimed and announced that this problem had been resolved, but this has not been the case.

The Lincoln sugar refinery has recovered well from a bad start. Although it was expected to consume 60 gallons per ton of refined sugar, it is actually using an average 72.9 gallons per ton. In 1984, during the same period, it was consuming oil at the rate of more than 94 gallons per ton.

A so-called "bottleneck" in the industrial phase--an excessive and difficult-to-control production of molasses--brought on a long study of the abnormal situation at the mill and the application of urgent measures which helped partially to achieve the current improvement. It is obvious that everything has not been resolved and that some time must still pass before we can be sure.

The situation at the Manuel Martinez Prieto is well known. Far from improving, the situation has been worsening. During the last harvest it used 82 gallons per ton and in the current harvest it is using 94 plus gallons per ton. It was expected to use 60 gallons per ton.

The program aimed at improving the technical performance of our sugar refineries must be expanded to the extent that our resources permit and priority should be given in the funds allocated to those plants seeking prompt assistance and modernization of their equipment.

Not a single gallon of oil has been used to produce raw sugar. That battle has been won definitely. We must not retreat in this one.

12674

CSO: 3248/416

CUBA

# ABSENTEEISM, LAX MANAGEMENT, WASTING TIME ON JOB DISCUSSED

Havana TRABAJADORES in Spanish 26, 27 Mar 85

[26 Mar 85 p 5]

[Text] In this introductory report to the 50th meeting of the National Council of the CTC [Central Organization of Cuban Trade Union], Comrade Roberto Veiga, secretary-general of the CTC and alternate member of the Political Bureau of the Cuban Communist Party, commented on the special inspection of labor discipline and utilization of the workday, which was conducted in more than 300 work sites throughout the country, at both the national and local levels, particularly in the administrative sectors.

The Territorial Delegation for Labor Inspection, which covers Havana and the City of Havana Provinces and the special Isle of Youth Municipality, gave us the results of the inspection conducted on 16, 17 and 26 January 1985 (Wednesday, Thursday and Saturday, a workday).

As was to be expected, with the reading of this report, the deficiencies encountered were to prompt an intensive effort to correct them, as they are causing direct damage to discipline and the economy.

The inspection was divided into two phases: 16 and 17 January and Saturday, 26 January, on which date the work-site behavior of the units visited on Wednesday, 16 January, was studied.

Because of its representativeness, we have selected the findings for the City of Havana to illustrate the less-than-commendable situation our comrade inspectors encountered during their visits.

Figures Show How Production Quotas and Discipline Are Handled at Some Work Sites.

The inspection was conducted in four work sites of the Ministry of the Food Industry; three in MINAGRI [Ministry of Agriculture], MICONS [Ministry of Construction], Fishing Industry, INSAC [National Institute of Automated Systems and Computer Technology], INDER [National Institute of Sports, Physical Education and Recreation] and SIME [Ministry of the Steelworking Industry]; in two selected work sites in INTUR [National Institute of Tourism], MINBAS

[Ministry of Basic Industries], CEATM [State Committee for Material and Technical Supply], Ministry of Culture, CECE [State Committee for Economic Cooperation] and MINTRANS [Ministry of Transportation]; and in one work site in each of the following entities: National Bank of Cuba, ICRT [Cuban Institute of Radio and Television] and Ministries of Light Industry, Public Health, Communications, Foreign Relations and Higher Education. Twelve entities in the People's Government were also visited, making a total of 53 work sites in City of Havana Province.

In these 53 work sites, there was a total complement of 9,883 workers of whom 379, that is 3.8 percent, were late in getting to work.

Some 2,166 workers were absent, that is 18 percent of those who were supposed to be at work. The absences of 1,879 were justified (18 percent), with only 136 unjustified (6.2 percent). This indicates the existing lack of control. The situation of 168 workers (7.8 percent) is unknown.

Add to this 401 workers whose supervisors stated that they were working or meeting outside the work site, we have a total of 2,567 workers (21.3 percent of the total) who were not at their work sites at the time of the inspection.

As regards attendance at the work site, 9.5 percent (1,145 persons) are not controlled, as they belong to the supervisory occupational category.

We should explain that the inspection was conducted in the form of a sampling, with visits to a total of 310 different work sites, of which 64 (20.6 percent) were without a supervisor.

In the work sites visited, 77 percent of the workers were doing their jobs while the rest were at their work stations but were doing things not related to their jobs, such as reading magazines, books and newspapers; discussing problems unrelated to their work; eating lunch at unscheduled times; goofing-off or dozing at their desks.

As Veiga put it in the report, there is an obvious deterioration in labor discipline, brought on by lack of control, the absence of production quotas and failure to apply existing wage legislation and regulations, points which were brought out in the Report [Activo] on Economic Efficiency in the Budget Activity which was prepared last year.

[27 Mar 85 p 4]

[Text] There is a lot for all of us to think about. A change of attitude and an increase in production quotas and self-imposed quotas are the conclusions reached by the Territorial Delegation for Labor Inspection after conducting a special inspection in January in the City of Havana Province, as part of a project which covered 300 work sites throughout the country.

What undesirable situations were uncovered by the inspection?

--It was demonstrated that those responsible for labor discipline do little to ensure effective compliance.

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19 July 1985

# Latin America Report

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19 July 1985

## INTER-AMERICAN AFFAIRS

## BOLIVIA-CUBA TO INCREASE TECHNICAL COOPERATION

La Paz EL DIARIO in Spanish 28 May 85 p 1

/Text/ Shortly Bolivia will purchase pharmaceutical products from Cuba and it intends to set up a drug-manufacturing plant with Cuban technical assistance in compliance with agreements reached between the Foreign Ministry of the republic and the Caribbean Government.

The Bolivian Government's decision to establish a diplomatic mission in Havana, Cuba, will complete the process initiated on 11 January 1983 when Mario Velarde and Isidoro Malmierca, foreign ministers of Bolivia and Cuba respectively, signed a joint declaration at the Continental Hotel in Managua formalizing diplomatic relations.

## First Commission

The recent visit to Bolivia by a Cuban delegation headed by Ambassador Lazaro Mora, America Division Director in the Ministry of Foreign Relations, offered the opportunity of laying the groundwork for the creation of the First Joint Bolivian-Cuban Commission the main purpose of which is to increase relations within a legal framework creating suitable conditions for the implementation of agreements on technical, scientific and cultural cooperation. The texts of these agreements are currently being studied by agencies in both countries.

## Interest

According to documents conveyed to the Foreign Ministry of the republic, Cuba is interested in importing nontraditional Bolivian products.

Bolivia, for its part, has expressed interest in getting technical cooperation from Cuba during the planning and execution stages of projects to create manufacturing plants to produce pencils, Havana tobaccos, rum, prefabricated houses, and to recycle the bagasse as fuel in its sugar mills currently under operation.

While he was minister of information, Mario Rueda Peña went to Havana to ratify the installation of our embassy and he was the one who announced the exchange of diplomatic representatives stating that "there is a sharing of views" between our governments.



On that occasion, officials of the Cuban Ministry of Foreign Relations gave him some documents stating the intentions of the Caribbean country which is seeking to upgrade its embassy in Bolivia and the prime mover behind this action is the Cuban diplomat Angel Gustavo Brugues who has been skillfully lobbying in our country.

#### Pharmaceutical Products

Bolivia plans to import pharmaceutical products made in Cuba and to get technical assistance to purchase and install drug-manufacturing plants. It has also "expressed interest" in receiving technical assistance for the training of medical and paramedical personnel by means of programs specially designed for that subject.

#### Trip

Miguel Angel Flores, who was the first Bolivian charge d'affaires after 1964, will be going to Havana this coming 8 June with the specific mission, among other things, of opening residential and office facilities for our country's first embassy in Havana since the triumph of the Cuban revolution.

8796

CSO: 3348/712

INTER-AMERICAN AFFAIRS

EC ESTABLISHES LATIN AMERICA STUDIES INSTITUTE

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 11 Jun 85 p 4

[Text] Madrid, 10 June--The newly founded EC Latin America Institute will be located in Madrid and will start its work early July. Several other big European cities (Amsterdam, Brussels, Rome, Strasbourg and at first also Hamburg) had applied to be the location for the "Institute for the Relations Between Europe and Latin America" (Irela). Hamburg had stepped aside in favor of Madrid. Finally the organizing committee, with the approval of the South and Central American Committee of the European Parliament, had decided in favor of Madrid. Thus Spain is getting an EC institute even prior to its membership in the EC (in all probability after 1 January). Wolf Grabendorff, the German political scientist and Latin America expert, last active in the Science and Policy Foundation in Ebenhausen, was appointed director of the new institute. Alberto Vanklaren, the Chilean university professor, jurist and political scientist, is deputy director. The various institute bodies have equal representation of Europeans and Latin Americans.

The Spanish government and Spanish institutions had tried very hard to get the institute. The EC Latin America Institute is supposed to expand the relations between the EC and the Latin American continent and to deepen mutual understanding. It wants to cooperate with national and international organizations including the Council of Europe and, together with Latin Americans, wants to stimulate and plan research on Latin America. The institute will conduct conferences and seminars in European and Ibero-American countries with participation of politicians, journalists, government officials, businessmen and professors and collect documentary material on various aspects of the relations between both continents.

As a first effort, a documentation of all institutes in Europe dealing with Latin America or interested in this continent is being compiled. Latin Americans are offered a full opportunity to acquaint themselves with the EC work in Europe. Political topics will be in the center of the institute activities but also economic and cultural questions will be dealt with, particularly since the link between political and cultural discussion is very close especially in Latin America.

Irela's international advisory council also includes well known writers, such as the Britisher Graham Greene and the Mexican Carlos Fuentes, in addition to

EC Commissioner Cheysson, the CDU politician Leisler Kiep, the former Spanish Prime Minister Suarez and Council of Europe General Secretary Oreja. Members of the executive committee include Mainz professor Mols and the Spanish Latin America expert Guzman. The council of the institution, which controls the institute's budget, consists of four European parliamentarians: the Italian Carla Barbarella for the Communist parliamentary party group, the Britisher Tuckman for the Conservatives and the Germans Linkohr (for the Socialists) and Langes (for the Christian Democrats). The institute is sponsored mainly by the European Parliament and the European Commission. The first sessions and seminars will take place in Segovia (Spain), Lima, Bogota, Augsburg and Bellagio (Italy).

12356

CSO: 3420/64

INTER-AMERICAN AFFAIRS

CARIBBEAN LABOR LEADER DECRIES ANTI-WORKER ATMOSPHERE

Port-of-Spain TRINIDAD GUARDIAN in English 11 Jun 85 p 5

[Text]

ROSEAU, Mon., (Cana):  
THE General Secretary of the Barbados-based Caribbean Congress of Labour (CCL) says there is need for a removal of anti-labour legislation, which he claimed is sweeping the entire Caribbean area.

Addressing the opening of a one-week Windward Islands trade union seminar in the role of trade unions in a democratic process, Kertist Augustus said union leaders should not keep quiet on matters that affected workers, only because of the fact that their party was in power.

"We need to reverse the trend of anti-labour legislation which is sweeping the Caribbean presently. The right to strike should be recognised as a basic right of workers and workers should not lose their jobs when they initiate perfect and legitimate action in furtherance of a trade dispute," he said.

Augustus added that trade unions had a great role to play in development of the region.

Augustus criticised the role being played by people who used the trade union movement to attain political power, and then in return seek to stifle the movement.

SYSTEM ATTACKED

"One could state that Caribbean trade unions in the 1940s and unionists spearheaded the thrust for political independence, in order to maintain the freedom and create an atmosphere conducive for their operations, particularly that of free collective bargaining. It was not uncommon for presidents of unions to be Premiers of countries...Today, the system is being systematically attacked," he said.

Augustus said such attacks were in the form of legislating public servants' salaries, and calls for wage freezes in the private sector.

"All of these are new and sometimes dangerous, and will only succeed if workers remain as they are, suspicious of their leadership...divided and docile. What is needed is for our membership to get the trade unions as militant as they were in the 1940s, very supportive of their union."

He said this could be achieved once the membership could separate industrial relations matters from party political matters.

INTER-AMERICAN AFFAIRS

CLIMATE IMPROVES IN TRINIDAD-VENEZUELA FISHING TALKS

Port-of-Spain TRINIDAD GUARDIAN in English 12 Jun 85 p 7

[Text]

**SAN FERNANDO:**  
ASSURANCE that every effort would be made to encourage the Venezuelan National Guardsmen patrolling that country's waters to "go easy" with fishermen from Trinidad and Tobago, was given by the head of a delegation from Venezuela recently.

So far, said Mr. Cyril Rogers, Deputy Speaker of the House of Representatives, "there has been a distinct improvement in relations."

Mr. Rogers, who has been a moving figure in the drive for settlement of problems facing fishermen from Cedros and Icacos operating in the Gulf of Paria, said yesterday that since the visit of the delegation, headed by Dr. Almorant Carlos Pislido, there had been a "significant lessening of problems."

He said that the head of delegation had said while he could give no guarantee, he would certainly urge the Guardsmen to "go easy" and try to avoid incidents that might tend to prejudice the negotiations between the Governments of Trinidad and Tobago and Venezuela aimed at resolving the problems.

Mr. Rogers noted there was progress in the negotiations for a new agreement and he

was personally taking a close look at the situation, monitoring developments weekly in order to ensure that "things continue to go well."

He said that since the meeting between

the delegation and the fishermen from the area, "discussions in which our own Ministry of External Affairs and Fisheries Department had participated, there has been some improvement in the overall situation."

"I am hopeful that before the end of July, there will be full and complete agreement. I am extremely optimistic about such a settlement," Mr. Rogers stated yesterday.



ANTIGUA AND BARBUDA

ATLU ORGAN REPORTS ON MAY DAY MARCH, RALLY

St. John's THE WORKERS VOICE in English 18 May 85 p 1

[Text]

In spite of late preparations and the staging of very few meetings, thousands of persons turned out to the Antigua Trades and Labour Union Labour Day march. The march commenced after a rally at the West Bus Station which was addressed by Comrade Leader the Rt. Hon. Prime Minister and Union President Senator William Robinson.

The Comrade Leader, a man who has never forgotten his working-class ties reminded the large crowd of the struggles which he and his colleagues had to wage against the Colonial Office and the Plantocracy in order to get recognition for their Union, the ATLU.

He also made mention of the progress which Antigua and Barbuda was making economically, even

in these times of recession and inflation.

He said that Antigua was considered by many of the donor countries as one of the more developed of the small Third World countries.

Senator Robinson called on the members of the Union to re-dedicate themselves to their union. He said that the spirit of endeavour needed to be re-kindled and that members support their Union which

was doing its best for them during this difficult period.

Also in the march were many governments ministers and other Union officials. A heartening sign for the Labour Movement was the very high percentage of young people who took part in the celebrations and the march.

Thousands eventually ended up at Fort James for the usual Labour Day picnic.

CSO: 3298/791

ANTIGUA AND BARBUDA

ATLU QUESTIONS GOVERNMENT POLICY ON UNEMPLOYMENT

St. Johns THE WORKERS VOICE in English 25 May 85 p 1

[Text] The A.T & L.U. is becoming more and more concerned about the job security of its members. Since the policy introduced by Jamaica with its two-tier monetary system and the Trinidad Government placing Caricom products from the O.E.C.S. countries under license, the Union has witnessed the closure of such factories as the Biscuit & Confectionery factory, Lolly-Togs Garment Factory, and others culminating in the loss of jobs of hundreds of Union members.

The Union has expressed its concern to Government on many occasions, but it seems as if the Government is unable to do anything to arrest the situation. Quite recently this newspaper expressed its concern publicly in a headline article captioned "Stop the Lip Service". This stemmed from the fact that many employees were laid off by the A.A.I. Factory (Antigua Appliance Industries Ltd.) because of the Trinidad & Tobago licensing system which caused the Company to lose 62% of its export market. Management of A.A.I., in numerous letters, appealed to the Ministry of Economic Development for local protection of its products. Lip service seems to have been offered.

The A.T. & L.U. has just completed negotiations with the Company on behalf of its employees. Management grudgingly granted the workers a small all-round increase, but made it quite clear to the Union and the employees that they could

not at least get its products protected locally so that they could at least take up some of the slack created by the loss of the Trinidad market.

Last week the Union was informed by Management that there would be a further laying off of workers because of recent happenings. Apparently the Ministry of Labour has introduced a housing scheme for highly paid workers in the society, (more on this later) where two model houses have already been built on the Airport road. The Management of A.A.I. and its entire work force went to examine the houses and to their horror found them furnished with imported refrigerators and stoves and even foreign-made furniture. Needless to say, the workers were extremely upset and could not imagine how a Government could care so little about their jobs so that their housing scheme could be allowed to import everything including the galvanize when there is a local factory, and not too far from these model houses.

The A.T. & L.U. would hope that it is not the intention of the Minister of Labour to allow the foreign owners of this housing scheme to equip all the houses with imported appliances and furniture. It would result in the loss of many more jobs for Antiguans once again. Some time ago a low income housing scheme initiated by Government for lowly paid workers was equipped with locally made beds, stoves and refrigerators. Why now imported appliances for the higher paid categories of workers? Is it that in spite of what we preach, anything locally produced is good enough for the lowly paid workers, but those who can repay \$700.00 per month and make a down payment of \$10,000.00 cannot be expected to put up with locally made appliances? They are in a higher class. Obviously!

The Minister of Labour has already brought some old shacks to this country from England; now he is allowing this company to build what looks like crates

nade to endure freezing winter temperatures here in this tropical country of ours. Or maybe the thinking is that if people can pay \$700.00 a month for cars then they can afford \$700.00 monthly for one of these houses, then they can afford to install air-conditioning units in them.

Whatever the reasons, workers continue to be laid off because of a policy or non-policy of Government.

CS0: 3298/791

ANTIGUA AND BARBUDA

BRIEFS

LESTER BIRD TO PRC--The Deputy Prime Minister of Antigua and Barbuda Hon. Lester Bird is to lead a six-man delegation on an official visit to the People's Republic of China next month. The delegation will be in Peking at the invitation of the Chinese government, to negotiate the terms of a new trade agreement between the two countries. The People's Republic of China is one of the countries with which Antigua and Barbuda has established diplomatic relations since independence in 1981. The full delegation that will be visiting Peking has not yet been announced, but informed sources say that Cabinet Minister Hon. Hugh Marshall will be in the party. The delegation is expected to leave for Peking on June 20. Commenting on the visit, a government official said that Antigua has received substantial assistance from the government of the People's Republic of China, and the proposed signing of the trade agreement will serve to further strengthen the relationship between the two governments. [Text]  
[St. Johns NATION'S VOICE in English 22 May 85 p 6]

CSO: 3298/791



BOLIVIA

UNIVERSITY ELECTIONS SHOW STRONG CENTER RIGHT

La Paz ULTIMA HORA in Spanish 13 May 85 p 3

[Text] Considering the fact that there are 40,000 students registered at the Greater University of San Andres [UMSA] and, in addition, that because of the current open admission system this figure could slide down to 30,000 as a result of the high dropout rate, and finally considering that 14,421 ballots were deposited in the elections for FUL [Local University Federation] officers that took place a few days ago, the first thought that occurs to one from this data is that student voter abstention is a significant factor at the university. It is revealing of a well known indifference or perhaps a feeling of frustration and lassitude among the majority of the student body. A turnout of 14,421 out of 30,000 means an abstention of 52 percent based on a registration of 40,000. In any case, it is clear that more than half of the students do not vote. This is due, to a large extent--despite the various forms of pressure exerted to insure that nobody would fail to vote--to the lack of attachment to the university by a large part of the student body, as well as the political radicalization imparted at the university which relegates the academic study and research function to a secondary role.

Revealing and symptomatic of what is happening in the country just 2 months away from the presidential elections are the political undertones of these UMSA election results that connote new trends in the student body.

First of all, the non-Marxist parties received a large vote. Since 1970, year of the so-called "university revolution", rightist and center groups had descended to zero in university election results. This time, a vigorous student movement has arisen and won second place, notwithstanding what the manipulators of disinformation have said in an attempt to detract from the reality of the current electoral scene, after having committed the reprehensible outrage of denying voting rights to one of the major tickets, the one that ran under the A-Pre sente banner, citing gross pretexts for this action without any legal basis and solely on arbitrary grounds.

The void votes totalled 2,824, taking second place after Urus which received 4,908 votes. No one fails to realize that the void votes would have belonged to A-Pre sente. Many of the void votes (a total of 946) must be assigned objectively to this ticket. Furthermore, there is no doubt but that a strong contingent of abstentions came from supporters of this faction, which, having

been vetoed by the current FUL, decided not to run in the election. Had the A-Pre sente ticket run with the same rights as all the other tickets, a considerable body of voters, who later abstained, would have increased the election results for this university faction. The measure that took this university ticket out of contention reveals the antidemocratic wilfulness, that denies all pluralism, attributable to the group controlling the university.

Urus has won again with almost 5,000 votes. This is one-sixth of the 30,000 registered voters who have not dropped out of the university. In any case, a minority, but still a strong, consistent minority that identifies with POR [Revolutionary Workers Party] and Trotskyite thinking.

The MNRH [Historic Nationalist Revolutionary Movement] ticket fell way behind with only 420 votes. Even fewer were the votes received by the Christian Democratic faction--only 273 votes. United Left (Izquierda Unida), composed of the PC [Communist Party], MIR [Movement of the Revolutionary Left] and others, was third with 2,125 votes. The T-Sur [T-South] Socialists that won the Sucre elections, obtained 1,344 votes. The voting in favor of the indian factions was scarcely significant.

A good indicator for the future is a comparison of the 2,000 to 3,000 votes that are possibly identified with ADN [Nationalist Democratic Action] and the 420 votes won by the MNRH ticket.

After this overview of the election, the conclusive evidence shows that a strong univeristy movement has taken sides for the first time with the center rights positions. A-Pre sente, without any doubts, is supportive of General Banzer's candidacy to the presidency. There is now a body of youth in the university that has broken with dogmatic Marxism, that has rejected the idea that historical materialism is the "scientific" formula by which to interpret reality, that has disagreed with the extreme politicalization of university life, that believes in democracy, and that has faith in Bolivia's recovery through work and legality.

It is to be regretted that so many students are still following Trotskyite guidelines, aiding and abetting violence, and blindly pursuing ideas that have been displaced and are ineffectual in the present world. A revolutionary Utopianism is leading these students down the path of negativist idealism and making them assume a radical posture of incomprehension and insensitivity toward all that means Christian humanism, inherent to a positive belief in the values of family, country and the freedom of the spirit.

12674  
CSO: 3348/711

JPRS-LAM-85-061  
19 July 1985

## BRIEFS

PETROLEUM EXPLORATION FUND--Cochabamba, 20 May--Workers of the Bolivian Government Oil Deposits [YPFB] will set up a common fund to promote prospecting of oil fields in the Chapare Tropical area. Trade union leaders who are boosting this action indicated that they are trying to accumulate a \$1 million fund based on contributions from district workers. The money will be used to set up prospecting teams to be sent to the tropical region. They will begin work immediately. The policy of assistance to YPFB entails a joint effort of workers and technicians to search for new oil fields at no cost to the company. The worker's initiative means that it will be the Cochabamba workers and not the government who will make it possible to locate new exploitation areas. The workers said that if they had to wait for the government "to take pity on Cochabamba", they would accomplished nothing, insofar as since assuming office Dr Siles has only made promises that have never materialized. The workers recalled that on 14 September 1984, Dr Siles promised that he would instruct YPFB management to conduct prospecting operations, yet, notwithstanding this, due to a lack of startup capital, the project was postponed until 1987 when, they were told, Cochabamba would receive priority attention. However, the workers said that they could not wait until then and that in order to protect their source of employment, they had decided to collect funds to set up the teams. [Text] [La Paz PRESENCIA in Spanish 21 May 85 p 7] 12674

TRAVEL REPRESENTATIVES TO USSR--La Paz, 20 May 85--Seventeen Bolivian travel agency representatives are going to the USSR at the invitation of INTOURIST, the Soviet Tourism Organization, and the Soviet airline Aeroflot. The Bolivian delegation will be going to Moscow and Leningrad for the first time in 40 years of relations. It will establish commercial contacts with Soviet officials for the purpose of beginning and developing tourism between Bolivia and the USSR. The 17 Bolivian representatives will be visiting the principal tourist centers in the Soviet Union for 8 days. Aeroflot representative Valey Smirnov and the cultural attache of the USSR embassy in Bolivia, Yevgenniy Boikov, officially presented 17 airline tickets and visas today to the members of the delegation at Aeroflot offices. It will depart on 21 May. [Excerpt] [La Paz HOY in Spanish 21 May 85 p 4] 12674

PLATA BASIN RAIL CONNECTION--La Paz, 21 May--The chief of the Joint Bolivian-Argentine Commission, Edgardo Pattomo, has given assurances that Argentina will complete the rail link joining the Plata and Amazon basins. A short and final link will complete the railway between Santa Cruz and Trinidad Departments in eastern Bolivia. Its completion is expected this year. The extension is more than 400 km in length. Currency exchange differences between Bolivia and Argentina had prevented the speedy completion of the project which dates back more than 10 years. [Text] [La Paz ULTIMA HORA in Spanish 21 May 85 p 5] 12674

BRAZIL

NATION'S ROLE IN NEW ERA OF GLOBAL POWER ASSESSED

Sao Paulo AVIACAO EM REVISTA in Portuguese Apr 83 pp32-36

[Text] We are on the threshold of a new era, encompassing an important period of world geostrategic history. Changes of great depth will be added to a world guided by the inherent multipolarization which is emerging to create a new international environment and a new process of global relations.

The individual capacity of each nation and the collective unity of each group of nations in adapting to the new reality will be the main strengthening factor or even that leading to the emergence of new powers on the world scene. The ability to understand exactly the progress of events and their effects on the world theater will have an immediate result in the pursuit of the geopolitical future of each country and in the importance that they will have in a world which is more and more forgetful of the hegemonies imposed by a war which exhausted its strength in the great cleansing storm.

The insistence and obstinacy by certain nations to live in the past will clash with reality and the determination of certain national entities (or even transnational) in achieving a key position in the future of a multipolar world where the will of the international protagonists of other times will be limited by the will of the regional superpowers.

Without the shadow of a doubt, our decade will be the initial framework of the consolidation of a new global reality, where the pillars of that new era, the foundation of that new world, will be definitively cast and firmly rooted, making any significant changes for the future that are being written in the present, irreversible.

The decadence of various centers of power, in that aspect, will be only a part of a multipolar process of an irreversible nature that will lead certain nations to the grade of regional superpowers with a real inclination toward becoming protagonists on the world scene.

Brazil certainly will be one of those nations, due not only to its global aspirations and its immense potential, but also because of its planned and well-traced strategy and national determination, with which its natural historic vocation for the polarization of global power, is made clear in its four main aspects: Political, military, economic and psychosocial.



## Multipolarization and its Impacts

The end of World War II in 1945 marked a new monopolar reality of global power, and, therefore, of strategic power.

The gigantic industrial power of the United States had placed America in a position of world leadership in a picture in which the traditional Europe found itself in ruins and the Soviet Union still harbored its expansionist aspirations.

After almost 40 years, the international environment changed significantly: The nation of democracy initiated a process of relative decline, Japan emerged as an independent economic pole and West Europe encountered success in its process of integration (At least in large part); the Soviet Union rose as a superpower, while new transnational and transideological personalities and transgovernment persons appeared. The complexity of world relations was multiplied, added to a system which is moving in great steps toward a new reality of power based on new pillars and exotic structures, which regardless of the will of the present world protagonists, will move on its own path and exercise an important role on international and inter-polar relations.

At this time the key word is uncertainty. The directions of events are changing more and more from the way the present leadership wants them, placing them constantly in check, in the final analysis weakening their strategies and their decisions. The capacity for influencing events on a regional level is deteriorating every day, favoring the transnational entities and the polarization of small superpowers of local nature. Reciprocal interdependence provides a new influence to be weighed in the strategic balance, turning former colonizers into colonies in their trade and political relations with the new powers.

Although the regional superpowers at first will not have the same economic capacity of Europe and Japan, they will have an impressive power. Those entities will reach their level on the international system because of their economic growth, based in certain cases on natural resources and a decisive advance in the field of industrialization, thanks to the investments and the transfer of technology from the industrialized countries of the West. The problems of national security become much more complicated as a result of the spread of power to the various regions of the world, as well as because of the presence of many problems laden with conflict. The capacity of the Soviet Union and the United States to influence the behavior of regional superpowers has diminished, even though the main regional protagonists continue to depend on the United States and the USSR for some of their most advanced capabilities.

### The Spread of Military Power

The rapid growth in the power of defense of the main regional protagonists will create potential threats to the interests of the superpowers and even to their military intervention forces, despite the recent conflict for the possession of the Malvina Islands (at this time Falklands) having

demonstrated that we are still undergoing a moment of transition, where the former powers still actually have a relative superiority with respect to new rising poles of power. Moreover, the proliferation of high technology weapons, nuclear proliferation and the rapid assimilation of advanced military technologies, to cite only a few of the more obvious examples, is quite obvious.

In that respect, a minor competition among South American nations may be considered healthy; integration and not continuous confrontation being the key for a fast and effective polarization of the principal countries of the continent in their highest aspirations. Brazil and Argentina, in a broad sense, have already found their way, however Peru and Venezuela are actively sharing in the onus and the benefit of that new reality that history has begun to write.

Brazil is on the right path and is seeking political stability and an accelerated economic development. There remains, however, a greater attention that must be paid to its security in the broadest sense, including not only a well-planned reequipment of its armed forces, but also daring programs of development and creation of a national technology aimed at our present and future needs. It is not necessary to repeat how much technological superiority guided the conduct of the Malvinas War between Argentina and England. The headlong development of science and technology have a significant influence on the fighting capability of armies, in the ways of carrying out certain actions of war, in the degree of training of the soldier, and in all the decision-making procedures, making them also indispensable for a real national independence and political sovereignty.

Brazil already has a respectable technological equipment inventory in various sectors of the military area, needing to improve know-how in other areas and in assimilating as much as possible all the advanced technologies it can and not only using them on a domestic level but also passing them on in exchange for important credits to other nations in the Third World.

Brazil's march must be slow, gradual and well planned, but it must never veer from its most elementary objectives, which are aimed not only at the polarization of the country as a strong and viable pole of global power, but also at its total independence and autonomy.

#### Present Programs and their Possibilities

The South America of our times is undergoing a situation which is quite different from that which our countries enjoyed in the past. Through the ties of multipolarization, different nations of the continent have also been seeking the growth of their economies and the strengthening of their military organizations by means of the purchase of great amounts of military material abroad. The fundamental difference among these nations resides in the fact that the majority of them have not developed or assimilated their own technology, making them, despite the fact that they appear to be strong, visibly weak in terms of security. Brazil and Argentina, in this respect,



despite the fact that they also acquire equipment abroad, seek not only the simple reequipment of their armed forces, but also an independence in the sector of military materiel in the example of what the France of De Gaulle did in the recent past.

In that aspect, various programs and projects are underway in the technological centers of the country, passing on know-how to private industries interested in entering that important market represented by military equipment. Brazil has already built a significant part of its needs in combat tanks, warships, air transports and ground attack aircraft.

Various projects are underway, aimed at providing self-sufficiency in military materiel by the end of the century in an extensive list, which include missiles, rockets, combat tanks, surface vessels, submarines and aircraft.

#### Combat Tanks

On an international scale, Brazil has already reached level three in technology (of eight possible points, where one is full capacity of design and production). In that category, it has at this moment different vehicles under production and in use in several nations. Already on the assembly lines are armored cars such as the EE-3, EE-9, EE-11 and EE-17. ENGESA [Specialized Engineers, Inc.], the manufacturer of those products, is seeking to expand its share of the market with sophisticated torpedoes (of the British Tigerfish type), 105mm and 130mm cannon and other naval and army components. Bernardini Company, its competitor, produces the M-41B light tank (modernization of the M-41 tanks used the army), the missile tank XLF-40, the bridge-laying tank XLP, the X-1A2 light tank, and it is preparing to produce a medium tank of approximately 30 tons, which will become Project X-30, although there are several problems still weighing over it. Different electronic and mechanical components for the optimum operation of those vehicles are under production or being designed.

#### Ships and Submarines

The Rio de Janeiro shipyards, where the main naval industries of the country are concentrated, are undergoing rapid expansion and already have the capacity for producing various important naval units such as frigates, destroyers, submarines and helicopter and aircraft carriers under license. Of own design, there is already the technology for corvettes and small patrol units. A recent agreement with Spain in that area, effective as of 1983, should provide a significant capacity for the assimilation of technology in that sector.

#### Aircraft

Despite the varied production of light aircraft for civilian and military use by EMBRAER [Brazilian Aeronautics Company] that company is introducing another three new designs simultaneously: The advanced trainer T-27 Tucano; the transport and patrol aircraft EMB-120 (which also serves for

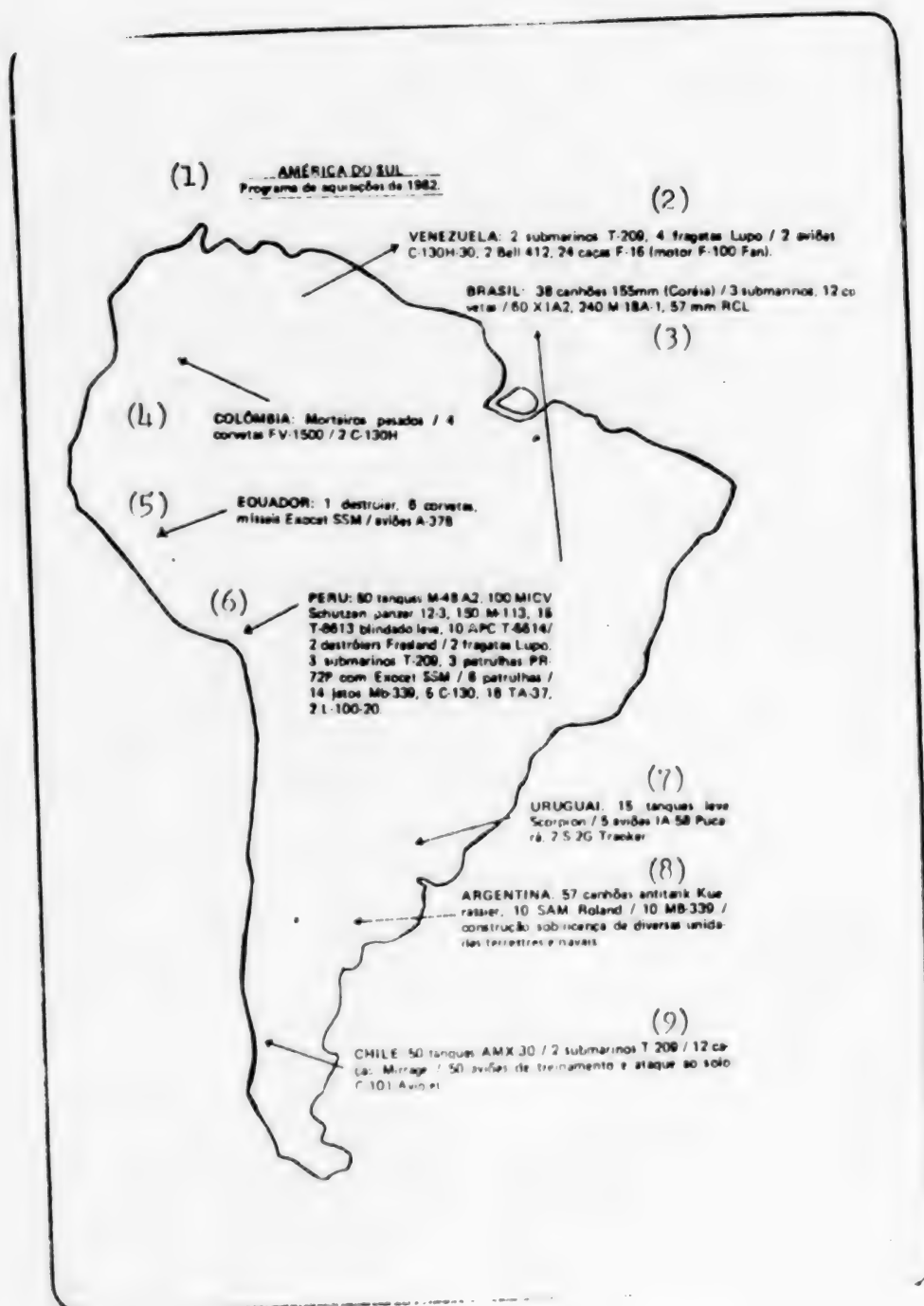
AEW missions, (like the English Nimrod) and the tactical support AMX fighter. There are also studies for expansion for the possible construction under license of a high performance mach 2 fighter to be coproduced in Brazil (Program F-X).

#### Missiles and Rockets

It is probably the most daring program underway in the IAE [Space Activities Institute], one of the institutes of the CTA [Aerospace Technology Center], which has as its objective two parallel programs (in the example of those carried out by the United States, the USSR and France), one of an exclusively space interest for the purpose of providing the capability of launching artificial satellites into earth orbits, and another with exclusively military purposes.

The programs are already in the phase of Sonda III, Sonda I already having given origins to the X-20 military rocket, and Sonda II to the X40. The initial objective is the V.L.S. (Satellite Launch Vehicle) derived from Sonda IV, which in the civilian field will be the first satellite launcher and in the military field, an intermediate range ballistic missile with a nuclear capability, possibly in operation by 1991.

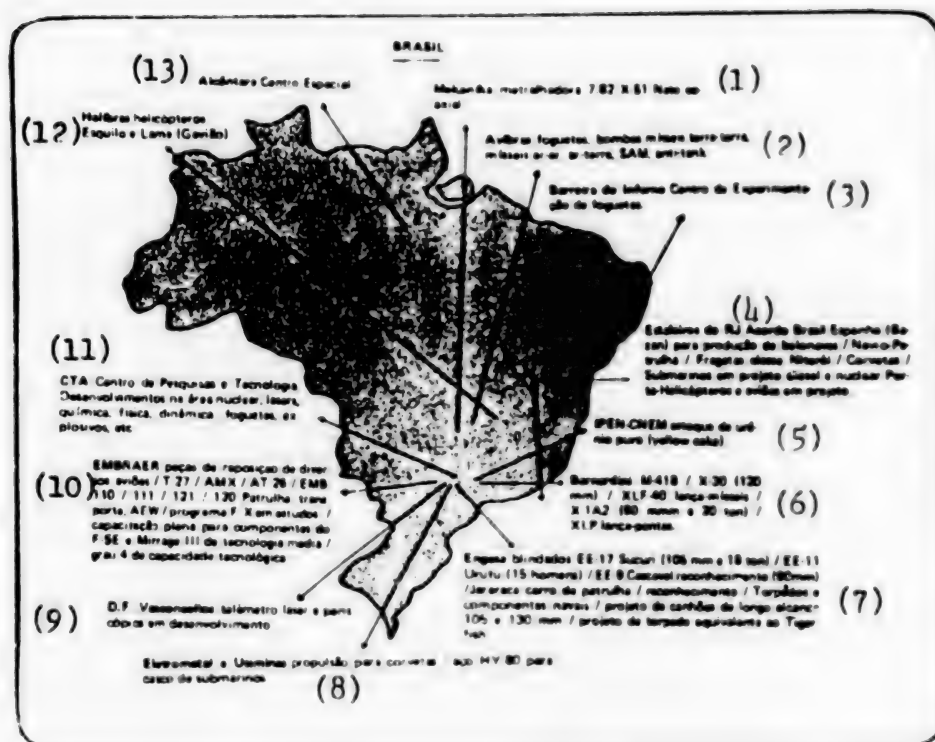
In the field of bombs and small tactical missiles, there are designs for various intelligent weapons, including weapons which are the equivalent of the American Sidewinder (or the French Magic), the American Maverick or the French SAM Roland, among others.



**Key:**

1. South America: Acquisitions program for 1982
2. Venezuela: 2 T-209 submarines, 4 Lupo frigates, 2 C-130H-30 aircraft, 2 Bell 412, 24 F-16 fighters (F-100 Fan motor).
3. Brazil: 38 155mm cannon (Korea), 3 submarines, 12 corvettes, 60 X1A2, 240 M-18A, 1.57mm RCL.

4. Colombia: Heavy mortars, 4 FV-1500 corvettes, 2 C-130H.
5. Ecuador: 1 destroyer, 6 corvettes, Exocet SSM missiles, A-37B aircraft.
6. Peru: 50 48A2 tanks, 100 MICV Schutzen Panzer 12.3, 150 M-113 15 light armored T-6613, 10 APC T-6614, 2 Fresland destroyers, 2 Lupo frigates, 3 T-209 submarines, 3 PR-72P patrol boats with Exocet SSM, 6 patrolboats, 14 MB-339 jets, 6 C-130, 18 TA-37 2 L-100-20.
7. Uruguay: 15 light Scorpion tanks, 5 1A58 Pucara aircraft, 2 S-2G Tracker.
8. Argentina: 57 Kuerassier antitank cannon, 10 SAM Roland, 10 MB-339, construction under license of various land and naval units.
9. Chile: 50 AMX-30 tanks, 2 T-209 submarines, 12 Mirage fighters, 50 Aviojet training and ground attack aircraft.

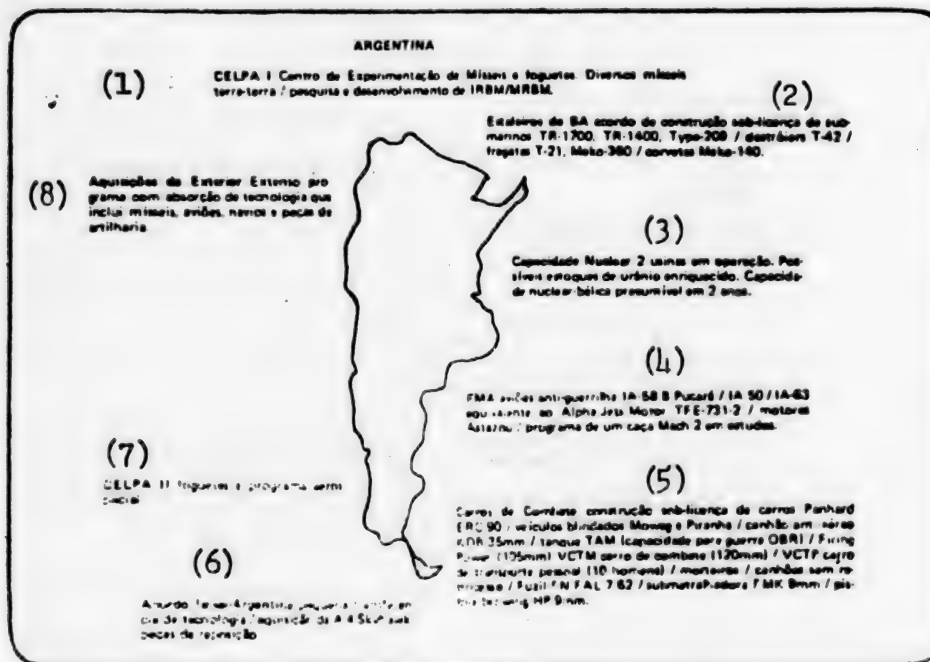


**Key:**

1. NATO coaxial X-51 7.62 Mekanika machinegun
2. AVIBRAS rockets, bombs, ground to ground missiles, air-to-air missiles, air-to-ground, SAM, anti-tank.
3. Barreira do Inferno Rocket Testing Center.
4. Rio de Janeiro Shipyards. Brazil-Spain agreement (BAZAN) for producing warships, patrol ships, Niteroi Class frigates, corvettes, submarines being designed in both deisel and nuclear types, and helicopter and aircraft carriers being planned.
5. IPEN-CNEN [Institute for Energy and Nuclear Research-National Commission for Nuclear Energy] stocks of pure uranium (yellow cake).
6. Bernardini: M-41B, X-30 missile launcher tank, X-1A2 (20 tons 90mm cannon), XLP bridge layer.
7. ENGESA [Specialized Engineers, Inc.]: Armored EE-17 Sucuri vehicles (105mm and 18 tons), EE-11 Urutu (15 men), EE-9 Cascavel reconnaissance car (90mm), Jacara patrol reconnaissance car, Torpedoes and components for navy, long-range cannon plans--105 and 130mm; plans for torpedoes like the Tigerfish.



8. USIMINAS [Minas Gerais Iron and Steel Mills] and ELETROMETA:: Propulsion for corvettes; HY-80 steel for submarine hulls.
9. D.F. Vasconcellos: Laser telemetry and periscopes under development.
10. EMBRAER [Brazilian Aeronautics Company]: Spare parts for various aircraft T-27/AMX/AT-26/EMB-110/111/121/120 Patrol, transports, AEW, F-X Program under study; fully qualified for F-5E and Mirage III components of middle-level technology; Grade 4 in technological capability.
11. CTA--Aerospace Technology Center: Development in the nuclear, laser, chemical, physics, dynamics, rockets, explosives and other areas.
12. HELIBRAS [Brazilian Helicopters]: Esquilo and Lama Helicopters (Gaviao)
13. Alcantara Special Center.



**Key:**

1. CELPA I [Rocket Testing and Launching Center]: Experimental missile and rocket center, various ground-ground missiles; research and development of IRBM/MRBM.
2. Buenos Aires Shipyards: Agreement for the construction under license of TR-1700, TR-1400 Type 209 submarines; T-42 destroyers, T21 frigates, Meko-360, Corvettes Meko-140.
3. Nuclear Capability: Two powerplants in operation. Possible stocks of enriched uranium. Nuclear military capability presumable in 2 years.
4. FMA 1A-58B Pucara antiguerrilla aircraft, 1A-50, 1A-63 equivalent to the Alpha Jets Motor TPE-731-2; Astazou motors; program for a Mach-2 fighter under study.
5. Combat tanks: Construction under license of Panhard ERC90 tanks; Mowag and Piranha armored vehicles; KDB 35mm antiaircraft cannon; TAM tank (capability for OBR war [presumably NBC protection]; fire power (105mm) VCTM combat tank (120MM); VCTP personnel carrier tank (10 men); mortars; recoilless cannon; FN FAL 7.62 Rifles; FMK 9mm submachineguns; Browning HP 9mm pistol.
6. Israeli-Argentine agreement for minor transfer of technology; acquisition of A-4 Skyhawks; spare parts.
7. CELPA II: Rockets and aerospace program.
8. Acquisitions abroad: Extensive program with assimilation of technology, which includes missiles, aircraft, ships and artillery pieces.

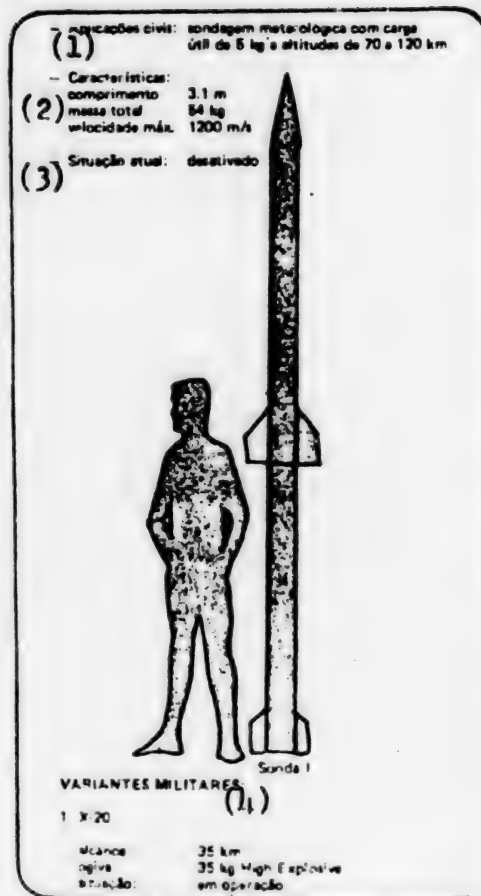
# Missiles and Bombs in Operation or Under Development

Nomenclature	Type	Range	Warhead	Guidance	Status
X-20	SRBM	35km	35kg	NG	In operation
X-40	SRBM	68km	146kg	NG	In operation
X-40	SRBM	60km	146kg	na	being tested
S-30	MRBM	300km	150kg	na	being tested
S-31	MRBM	300km	150kg	na	being tested
S-322	SRBM/MRBM	150km	150kg	na	being tested
S-300	MRBM	300km	150kg	na	in project stage
S-311X	MRBM	350km	150kg	na	in project stage
S-40	BM	600km	300kg	na	in project stage
S-410	MRBM	600km	400KtN	na	in project stage
SLV Variant	IRBM	4000km	400KtN	na	Under study
SBAT-37	FNG	na	na	NG	in operation
SBAT-70	FNG	7.5km	4kg	NG	in operation
SBAT-70/Seta	Bazooka	0.5km	4kg	na	being tested
SBAT-127	FNG	15km	20kg	NG	in operation
MAA-1 Piranha	air to air	10km	4kg	IV	being tested
MAS-1 Carcara	air/ground	10km	na	TV	project underway
MSA Grd/Air	na	na	na	Radar	in project stage
MAT-1	antitank	2km	3kg	Wire	being tested
C-Bombs	penetration	na	50kg	Sensor	in operation
Bomb 120 kg	frag.	na	25kg	NG	in operation
Bomb 250 kg	frag.	na	50kg	NG	in operation
Bomb 375 kg	incendiary	na	75kg	NG	in operation
Bomb 250 kg	incendiary	na	50kg	NG	in operation
Bomb 500 kg	frag.	na	100kg	NG	being tested
Bomb 500 kg	incendiary	na	100kg	NG	being tested

## Notes:

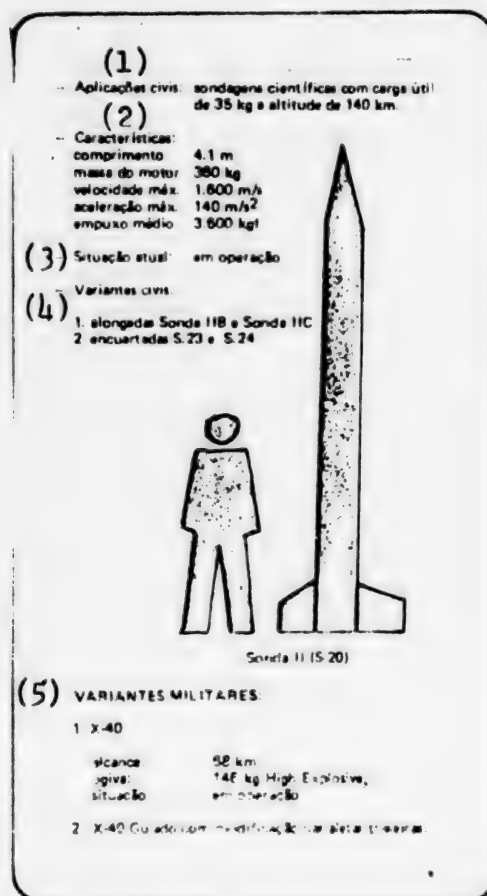
Estimated figures are maximum estimates

SRBM - Short Range Ballistic Missile  
MRBM - Medium Range Ballistic Missile  
IRBM - Intermediate Range Ballistic Missile  
FNG - Unguided Rocket  
na - Not evaluated  
Kt - Kiloton (thousands of tons of TNT)  
N - Nuclear  
NG - Unguided  
IV - Infrared (heat seeking)



**Key:**

1. Civilian applications: Meteorological probe with a useful load of 5 kilograms at altitudes of from 70 to 120 kilometers.
2. Characteristics:
  - Length: 3.1 meters
  - Total weight: 54 kilograms
  - Maximum velocity: 1200 meters per second
3. Present status: Deactivated
4. Military variant
  1. X-20
    - Range: 35 kilometers
    - Warhead: 35 kilograms of high explosive
    - Status: In operation



**Key:**

1. Civilian applications: Scientific

5. Military variants

2. Characteristics:

Length: 4.1 meters  
 Weight of engine: 360 kg  
 Max. velocity: 1,600 m/s  
 Max. acceleration: 140 m/s<sup>2</sup>  
 Average thrust: 3,600 kgf

3. Present status: in operation

4. Civilian variants

1. Elongated Sonda IIB and Sonda IIC

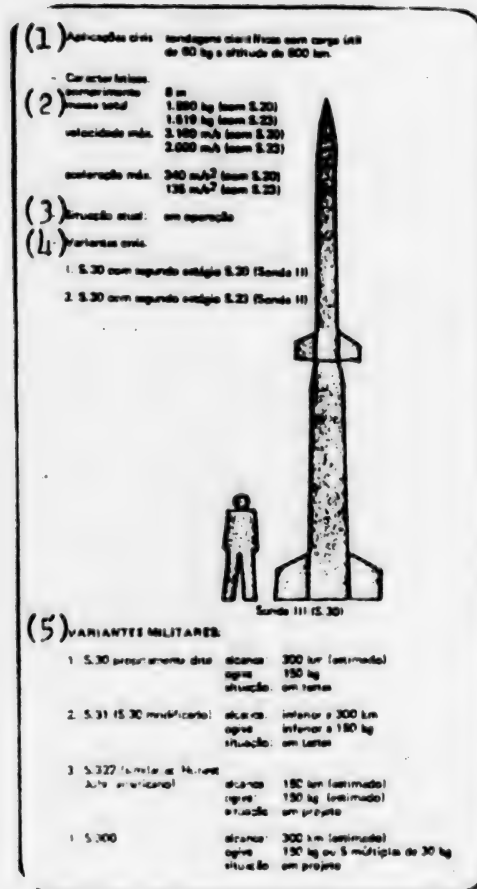
2. Shortened S.23 and S.24

1. X-40

Range: 68 km  
 Warhead: 146 kg HE  
 Status: In operation

2. X-40--Guided with modifications in the rear fins.





**Key:**

1. Civilian Applications: Scientific probe with a useful load of 60 kg to altitudes of 600 km.
2. Characteristics
 

Length:	8 meters
Total weight:	1,560 kg (with S.20) 1,519 kg (with S.23)
Maximum velocity:	3,100 m/s (with S.20) 2,000 m/s (with S.23)
Maximum acceleration:	340 m/s <sup>2</sup> (with S.20) 135 m/s <sup>2</sup> (with S.23)
3. Present status: In operation.
4. Civilian variants
  1. S-30 with an S-20 second stage (Sonda II)
  - S-30 with an S-23 second stage (Sonda II)

## 5. Military variants

### 1. S-30 by itself

Range: 300 km (estimated)  
Warhead: 150 kg  
Status: Undergoing tests

### 2. S-31 (S-30 modified)

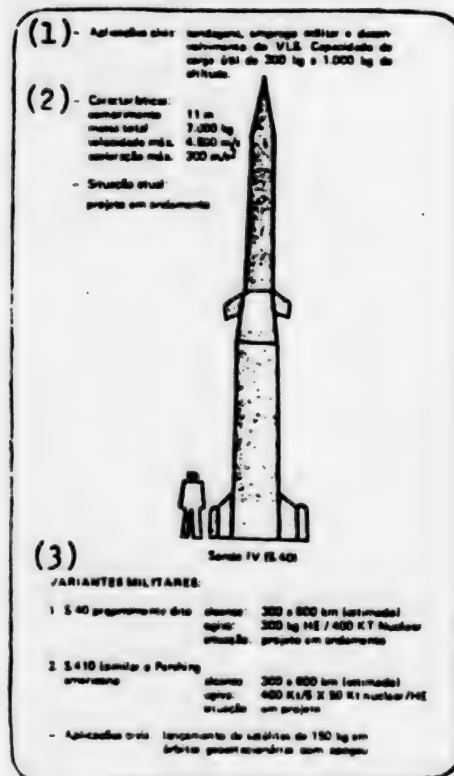
Range: Less than 300 km  
Warhead: Less than 150 kg  
Status: Undergoing tests

### 3. S-322 (Similar to American Honest John)

Range: 150 km (estimated)  
Warhead: 150 kg (estimated)  
Status: In project stage

### 4. S-300

Range: 300 km (estimated)  
Warhead: 150 kg or 5 30-kilo warheads  
Status: In project stage



**Key:**

1. Civilian applications: Probes, military use and development of the SLV [Satellite Launch Vehicle]. Useful load capacity of 300 kg to an altitude of 1,000 km.

2. Characteristics:

Length: 11 meters  
 Total weight: 7,000 kg  
 Maximum velocity: 4,500 m/s  
 Maximum acceleration: 200 m/s<sup>2</sup>

Present status: Project underway

3. Military Variants:

S-40

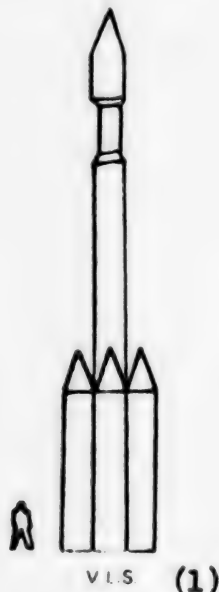
Range: 300 to 600 km (estimated)  
 Warhead: 300 kg HE/400 Kt nuclear  
 Present status: Project underway

S-410 (similar to U.S. Pershing)

Range: 300 to 600 km (estimated)  
 Warhead: 400 Kt / 5 x 50 Kt nuclear/ HE  
 Status: In project stage

Civilian applications: Launching of 150-kilogram satellites into geostationary orbits with apogee.

- (1) - Aplicações civis: lançamento de satélites de 150 kg em órbitas geoestacionárias com apogeu de 550 km (98° de inclinação). Satélites de 100 kg em órbitas circulares de 700 km de altitude e inclinações de 0° a 30°.
- (2) - Características:  
comprimento: 16.59 m  
peso de lançamento: 40 toneladas  
nº de estágios: 4 (1º estágio consiste de 4 motores S.40)
- (3) - Situação atual: projeto em andamento



#### VARIANTES MILITARES: (4)

1. Não existem ainda projetos desenhados ou em andamento. Provavelmente o programa V.L.S. (Veículo Lançador de Satélite) dará origem, pelas suas características, ao míssil IRBM (Intermediately Range Ballistic Missile) com carga múltipla equivalente a versão militar do Sonda IV, S.410, 5 X 50 Kt nuclear ou uma ogiva singular de maior capacidade (provavelmente 400 Jt nuclear). Não haverá, com toda certeza, versões militares desse míssil, transportando ogivas convencionais HE devido ao elevado custo do mesmo, só pago com um alto poder destrutivo (relação custo-destruição). O alcance do míssil estará na ordem de 1.500 a 4.000 km.

#### Key:

1. S.L.V.--Satellite Launch Vehicle
2. Civilian applications: Launching of 150-kg satellites into geo-stationary orbit with an apogee of 550 Km (98 degrees inclination); Satellites of 100 kg into circular orbits at 700 Km altitude and inclinations of from zero to 30 degrees.

**Characteristics:**

Length: 16.59 meters  
Launch weight: 40 tons  
Number of stages: 4 (First stage consists of four S-40 engines).

3. Present status: Project underway.

4. Military variants:

Because of its characteristics, the program will give origin to the IRBM (Intermediate Range Ballistic Missile) with multiple warheads similar to the military version of the Sonda IV, S-410, 5 x 50 Kt nuclear or a single warhead of larger size (probably 400 Kt nuclear). Most assuredly there will not be a military version of that missile carrying conventional high explosive warheads due to the high cost of the missile. It only pays with a high destructive power (cost-destruction ratio).

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CSO:3342/196

BRAZIL

SARNEY HEIR TO NEW REPUBLIC: FROM POET TO PRESIDENT

Rio de Janeiro MANCHETE in Portuguese 4 May 85 pp 103-109

[Article by Lorem Falcao: "Tancredo-Sarney: Appointment With History"]

[Introduction by Luiz Orlando Lemos]

[Text] The "dobradinha" [literally, stew] that formed the front line of the New Brazilian Government--Tancredo Neves and Jose Sarney--was the practical result of a much-desired consensus. Men who fought in opposite camps during the military regime, Tancredo and Sarney were--in the composition of the slate that carried them to power--a living demonstration that conciliation is possible. Six years ago, on a momentous occasion (the beginning of the Figueiredo government, which promised to widen Geisel's gradual liberalization), journalist Murilo Melo Filho [text incomplete] Tancredo and Sarney--senators, respectively, for the MDB [Brazilian Democratic Movement] and ARENA [National Renewal Alliance]--for them to analyze the situation and express their expectations. One cannot speak of political premonition; but it would be considered proper to think in terms of a journalistic preview of events that--years later--would come to pass. For these two politicians, political adversaries without being enemies, were called upon by the nation to become running mates and compete, before the public and in the Electoral College, for the right to govern 130 million Brazilian citizens. Now one of them is gone. The other, in keeping with the constitution and with integrity, will carry on their work. The combination lives on.

Heir to New Republic

When he learned that Tancredo was ill and would not be able to take office, the feeling was that of a weight far beyond his strength. But, like all Brazilians, he shared the optimism of the physicians: Tancredo would soon be well; he would take office in one week, at the most. The week passed, the crises continued and it became certain: Tancredo's New Republic would rest upon the shoulders of Jose Sarney. "I was struck by lightning," said Sarney, in conversation with congressmen, repeating a phrase of Pedro Aleixo, when the latter was prevented by the military from becoming president in 1969.

In the life of Tancredo's heir there have been episodes that do not fit perfectly the image commonly held of him: the supposedly acquiescent party



chairman who always said yes to authoritarian rulers. One of the episodes was during his student days. When the interventor [governor appointed by the president] appointed by Getulio Vargas entered the theater in Sao Luis, Jose Sarney led the chorus: "Down with the dictatorship!" He was arrested. When Juscelino Kubitschek, already deprived of his political rights, visited Maranhao, Governor Jose Sarney received him all with honors. It did not please the military in power and, in protesting on radio and television publication of AI-5 [Institutional Act No 5], he showed that his support for the 1964 movement was not unconditional. When the government party took steps that he did not consider proper, Jose Sarney, chairman of the PDS [Social Democratic Party], shouted: "I resign!"--and joined the Democratic Alliance.

He answered those who accused him of betrayal in joining Tancredo by characterizing the concept that "to disagree is to betray, to agree is a moral obligation" as "the very law of political amorality." His former and present fellow party members now believe that it was in the interests of state administration that the then Governor Jose Sarney drew close to President Castelo Branco in 1965 and later became one of the strongmen of the government party. The support, however, encountered resistance in his very personality.

It was in this context that the Juscelino Kubitschek episode occurred, when the former president, already deprived of his political rights, was asked to speak at the graduation of economics students in Sao Luis. In receiving him, Sarney had no fear of facing the wrath of the military. Today he still takes pride in having been consistent with his statement against AI-5 shortly after its publication in 1968: he never used it to dismiss, retire or deprive of political rights anyone, whoever he may have been.

After the initial uneasiness that his attitude provoked, the wrath of the military subsided and Sarney's Maranhao government eventually received the full support of federal agencies. Elected senator in 1970, he ended up introducing Constitutional Amendment No 11, which replaced AI-5 with "constitutional safeguards." Soon thereafter he became the national chairman of the ARENA, the government party, and remained in that post after the party reform occurring during the Figueiredo administration, when the PDS emerged.

But he felt forced to leave because of the crisis that occurred last year after Figueiredo refrained from coordinating the choice of a candidate to succeed himself. Seeing that the PDS was divided because of the candidacies of Paulo Maluf, Mario Andreaza, Aureliano Chaves and Marco Maciel, Sarney proposed holding primary elections within the party. Whoever was chosen by the rank and file would be taken to the Electoral College and the others would commit themselves to supporting him.

Aureliano, Andreaza and Maciel thought it was a good idea but Paulo Maluf, sensing that the rank and file would not support him, was against it and lined up votes in the National Executive Committee, getting enough of them to reject the idea of primaries. Sarney felt that a victory for Maluf would lead to the party's ruination and, at the outset of the executive committee meeting, declared emotionally:

"It is the responsibility of the party chairman to guarantee its unity. As I am no longer able to guarantee such unity, my only recourse is to resign the position of chairman."

From that moment on, Sarney had already practically "jumped the fence." Shortly thereafter he joined the Liberal Front of Aureliano Chaves and Marco Maciel, and the discussions that led to formation of the Democratic Alliance with the PMDB [Brazilian Democratic Movement Party] to assure Tancredo Neves' victory in the Electoral College indicated him to be the logical candidate for vice president.

There were reactions of displeasure in both the PDS and the PMDB. Paulo Maluf, his supporters and even some of Figueiredo's cabinet ministers accused him of betrayal. He replied: "What I find deeply perplexing is the acceptance and use, by the government itself, of this thesis, as if it were the absolute truth, that politicians who support the party in power must always be what journalist Edson Vidigal called 'the amen trumpets.' They thus repeat that to disagree is betrayal and to agree is a moral obligation. But such a law is the law of political amorality itself. Politics is not something to be conducted among friends."

Within the PMDB, resistance to his name as a candidate for vice president came from persons who saw him as a vehicle for continuation of arbitrary rule. For this reason he was very uncertain about the outcome of the party's convention on 12 August last year. On the final ballot he had 543 votes as a candidate for vice president and Tancredo Neves had 656 as candidate for the presidential nomination. He accepted the difference as "the result of a process of political accommodation," because "no agreement is always accepted by everyone."

His baptismal name is Jose Ribamar Ferreira da Costa, son of Sarney (a name he later incorporated to his own) and Kiola Ferreira de Araujo Cost, born on 24 April 1930 in Penheiro, Maranhao. His first victory was a first place in the admission examination to the erstwhile Maranhao Secondary School. A few days later, another first place, this time in folklore. The makers of "Jesus Bleach" offered a prize of 500 cruzeiros (good money in those days) to anyone who would suggest a good advertising slogan. Sarney suggested: "Only the soul of Hitler would resist the action of Jesus Bleach." It was at the height of World War II. Sarney won the prize.

His fellow students thought he had rather strange habits. Instead of playing ball and horsing around, he just liked to read, preferably French authors such as Balzac, Victor Hugo, Voltaire, Anatole France, Flaubert and others. He ran for president of the Central Organization of High School Students, and won.

He was 14 years old in 1945, before the fall of Getulio Vargas. He went to the Arthur Azevedo Theater with a group of students. When the interventor, Paulo Martins de Sousa Ramos, entered, he began to shout: "Down with the dictatorship! Down with the dictatorship!" Soon others joined in the chorus. But the police arrived and the whole group was put in jail.

In 1950, Getulio Vargas was preparing for a return to power, this time via the ballot box. Sarney, 20 at the time, entered the Maranhao Law School. He received a bachelor's degree in 1954 and almost immediately entered party politics, first for the PSD [erstwhile Social Democratic Party], later the UDN [National Democratic Union], the ARENA, PDS and now the PMDB, which he joined 16 August of last year.

Jose Sarney is a man of simple habits. A few days ago he asserted that he is not superstitious, but his relatives attest to the contrary, although he is a Catholic. He does not smoke, he does not drink, and when he tells stories everyone listens with great pleasure.

One day, taking a streetcar ride through Sao Luis, he met young Marly Macieira. They started to date and fell in love. Today she is Marly Macieira Sarney and their children are Roseane, Fernando Jose and Jose Sarney Filho, a federal deputy whose nickname is Zequinha. There are also three grandchildren: Jose Sarney Neto (Zequinha's son), Rafaela (Roseane's daughter) and Ana Clara (Fernando's daughter).

Relatives claim that Sarney is extreme in his superstitions: he does not permit either "saci-perere" or penguins on the refrigerator [phrase as published] is not fond of indigenous art, doesn't have a brown suit and can make the most complicated circumlocutions to avoid using the word "jinx." But he likes to collect wooden figures of saints (he has more than 1,000) and always paints his moustache black.

When he was going with Marly, he couldn't figure out how to win the favor of her father, surgeon Carlos Macieira. One day he learned that he was a good chess player. He immediately familiarized himself with the intricacies of the game and before long he was confronting the old surgeon's pawns and rooks.

Sarney's political life began discreetly in 1954. With Cid Carvalho, he formed the "renewal group" within the PSD, controlled by Vitorino Freire, and ran for the Chamber. He was only elected fourth alternate and seldom occupied the seat in the absence of the office holders. The following year the national command of the PSD carried out a maneuver to favor Assis Chateaubriand. Unwilling to acquiesce, Jose Sarney switched to the UDN.

In the 1958 elections, Sarney was already one of the better-known opposition leaders in Maranhao and was the federal deputy with the second-highest number of votes among all opposition candidates. At the age of 28, he became the assistant leader of the UDN in the Chamber, at the side of Carlos Lacerda, Aliomar Balleiro, Adauto Lucio Cardoso and others. He was part of the "Bossa Nova," a progressive wing.

His talent and his culture soon made him one of the party's national leaders. Janio Quadros invited him to be ambassador to Cuba, but the young deputy turned it down, as his dream was to become governor of Maranhao. A dream not difficult to achieve, as the citizens of Maranhao had become tired of Vitorino Freire, with his philosophy of "power for the sake of power," and the old phrase: "A friend has no defects and an adversary has no virtues."

In 1962, Sarney was reelected deputy, this time with the highest vote among opposition candidates. At last, in 1965, his dream came true: he was elected governor of Maranhao, defeating "Vitorinism" and its candidate, Renato Archer. He immediately began to do away with electoral corruption and his administration is to this day still considered one of the most productive and efficient in the state's history.

Sarney resigned as governor in 1970 in order to become an ARENA candidate for the Senate. He was elected with 236,618 votes and in 1978 he was reelected with a substantial majority.

Before becoming interim president of the republic, he spoke about what he considered the priority task of the new government: "It must establish the foundations of the future institutions that will be the political framework of the nation. President Figueiredo provided the political opening and the Tancredo Neves government will construct those political bases. That is, there will be a new political pact, one in which everyone's opinion is to be heard."

Upon taking office, he announced that his "great banner" was "President Tancredo Neves." Now that he holds the position in all its plenitude, succeeding Tancredo, he leaves a message, in an interview with the WASHINGTON POST, for foreign creditors: there is a limit to the sacrifices that can be asked of the 130 million Brazilians. Renegotiation of the foreign debt will decide the destiny of the first civilian Brazilian government after 20 years of military rule and attention must be given to urgent social problems that threaten the survival of our nascent democracy.

From Poetry to President: Adventurer of Dreams

But I, the cattle, my mother and the flycatchers were happy and  
we were singing. (From "The Fire Wasps")

"Jose Sarney, at the same time that he is a politician, is a writer, and with this characteristic: as a politician, he is not a writer; as a man of letters, he is not a politician," said writer Josue Montello, upon greeting him as a new member of the Brazilian Academy of Letters on 6 November 1980.

"Because the temptation exists for the best or the worst: for his fellow party members to say that he is a great writer, for his adversaries to say that he is a poor writer and for those in between to make comparisons between the writer and the politician," wrote Antonio Alçada Batista, director of the National Book Institute of Lisbon, in reference to the Portuguese edition of the book of short stories, "North of the Waters."

If this dichotomy exists between the writer and the politician, one could ask who is in Planalto Palace, Dr Jeckyl or Mr Hyde? But Montello dissolves this doubt, in saying: "The writer's profound identification with his land and his people gives him the material and the form of literary creation." Jose Sarney himself recalls that his first passion, before politics, was for writing. With him, literature--poetry, the short story and the novel--took power in the New Republic.



I speak of Maranhao/ the plains of Urucurana,  
man and bird where went/ the adventurer of dreams

#### Man, Gods

Upon taking occupancy of Chair No 38 in the Brazilian Academy of Letters, Sarney helped decipher the mystery of the dichotomy, declaring himself a man of three gods. "My gods have produced the sorcery that has guided my path and brought me here. There is nothing higher, here is the infinite. The first god, the God of my faith, of my submission to his voice of destiny, which kept me in times of uncertainty, which filled with certainty my periods of perplexity." This god, God Himself, was said to be the support and the inspiration of the artist.

The second god could be interpreted as society. "But I am also here under the protection of another divinity, the god of companionship, which gave me brothers and friends, a broad table of comfort, rivers of solidarity, clear streams of tenderness, acts of love and of sacrifice, calls of good wishes, of going together, of life and death." This could be the source of his passion for politics.

But a third god, according to his speech upon joining the academy, would bridge the gap between art and politics. "I come motivated by and obligated to the god Maranhao. Geographical Maranhao, which goes from the white sands of the sea coast to the red ravines that die in the Tocantins. (...) Were it not for Maranhao I would not be here. Literature in Maranhao is a thing of nobility worthy of a coat of arms."

Further in the same speech, Sarney revealed that he arrived at the academy "brought above all by the calling of the spirit of literature, which seduced me since boyhood, when I would hear at dawn my old grandfather, a schoolmaster in a small town on the fringes of the Amazon forest, driving the animals into the corral while reciting roundels from Camoes."

"The political calling," explained he, "came to me from my other grandfather, from whom I heard tales of heroes and violins. It was another kind of magic, that of the little boy standing in the midst of big people, listening in the silent night of the countryside to the challenge of the sea, by the light of kerosene lanterns and with soot on all the scantlings, manioc alcohol and molasses, nights on the farm, only man and the stars."

I see the empty cages/ soiled by the odor of farewell

#### Bitter Song of Exile

It is Josue Montello's opinion that "every genuine literary calling diverted to the absorbing apprenticeship of the political life, ends up by living the nostalgia of literature, with his singularity: the relishing of its banishment." In this case, rising to the heights of the Planalto, Sarney must have been pushed by the "society god," temporal and finite, but the eternal God

prevails as the absolute presence. The creative writer, then, must be cloistered somewhere in the invisible cells of the palace, every now and then crying his bitter song of exile.

This idea of the psychological predominance of the esthetic over the political is part of Sarney's history. It was before his inclination for politics that he showed his literary bent. At the age of 18 he was already submitting his verses to BANDEIRA TRIBUZZI, a Portuguese journal that influenced a whole generation of Maranhao intellectuals. Two years later he was in student politics in the UNE [National Students Union] and in 1954 he sat in as an alternate in the Chamber of Deputies, never to stop again.

Before this, however, he edited the FOLHA DO ESTUDANTE, Maranhao Secondary School paper, and was a police reporter for DIARIOS ASSOCIADOS. In the IMPARCIAL newspaper, he created the "Letters and Arts" supplement. He participated in the publishing of the ILHA magazine, along with Odylo Costa Filho, Mauro Mota, Ferreira Gullar and others.

He was still in law school and was declaring himself a neomodernist, at age 22, when he published "The Initial Song," and "Teaching of the Fishgarth," books of poetry. "The Initial Song" is now a rare book known by a few; the other book is no longer mentioned.

His great breakthrough as a writer was with "North of the Waters" in 1970. Republished 19 June 1980 by Artenova (234 pages) and the following year also published in Portugal, it was hailed enthusiastically by Antonio Alçada Batista, director of the Portuguese INL [National Book Institute], according to whom Sarney, "to some extent does exactly the opposite of Guimaraes Rosa. In the latter, the fabric of regional time and space function as a pretext for recreating the language, which, as said so well by Lucy Teixeira, is, in Guimaraes Rosa, the leading character. In Sarney, the language functions as an instrument for recreating regional time and space, which are, in Sarney, the real characters of his writing."

On 5 April 1979 President Joao Figueiredo appeared at the National Congress to attend the introduction by Artenova of another book by Sarney: "The Fire Wasps," poems. Art critic Lucy Teixeira, vice consul of Brazil in Italy, recalled at the time that Maranhao poets are identified by nostalgia for the land and for the way in which it is felt. This occurred in Goncalves Dias, with his "Song of the Exile," and in Ferreira Gullar, with "Soiled Poem."

Jose Sarney, according to Lucy, falls within this classification and is an "invitation to an existential transcendence and this, paradoxically, if we insinuate as the other, secret horizon of the real, is perhaps the truer because it is a consequence of transfigurations in which the 'duree' was but the road to painful immortality."

It was with such baggage that Jose Sarney, backed by Josue Montello, entered the competition for the 38th chair of the Brazilian Academy of Letters [ABL]. On 17 June 1980, after 20 minutes of voting, Montello hurried from the meeting hall to announce: Sarney had won on the first ballot, with 21 votes. Origenes Lessa, with the second highest number of votes, had received only 10.



The day of his initiation was unusual for the ABL. Among those present were President Figueiredo, Vice President Aureliano Chaves, 9 cabinet ministers, 13 state governors. So many people that the academy's building was too small and many guests had to be content with watching the ceremonies on television sets installed outside the main hall. Outside, the building was ringed by an imposing array of security troops.

Now, in Planalto Palace, Sarney is in a position to give a boost to a bill he introduced as a senator seeking, according to its text, that "cultural development keep up with the economic growth of the nation." The bill provides for income-tax deductions for individuals and corporations that buy works of art and make other investments that benefit culture.

"The state and the economic sector must awake before it is too late and join the rescue effort to assist culture, making it an integral part of state planning," was the justification for introducing the bill. The instruments for such an awakening are now, more than ever, available to him.

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CSO: 8142/1505a

BRAZIL

POLL SHOWS QUADROS LEADING MAYORAL CANDIDATE IN SAO PAULO

Sao Paulo FOLHA DE SAO PAULO in Portuguese 10 May 85 p 5

[Text] Former president Janio Quadros, 68, leads the FOLHA DE SAO PAULO Survey among 16 names listed as candidates for mayor of Sao Paulo next November, in a sample of 1,000 persons interviewed in several geographic zones of this state capital. Janio obtained 16 percent of the preferences, followed very closely by the present appointed mayor, Mario Covas, with 15.9 percent, but who has become ineligible with the amendment approved by Congress Wednesday evening, a few hours after the survey terminated. The survey was based upon the names most often mentioned as candidates, and not necessarily the names most expressive of the parties.

Janio's party, the PTB [Brazilian Labor Party] also appears in the poll with 16 percent of the preferences, being in second place. In first place, the PMDB [Brazilian Democratic Movement Party] has 31.9 percent of the preferences and in third place the Liberal Front Party [PFL], still being formed, comes out with 15.3 percent.

The potential voters for Janio Quadros, according to the poll, are in the lowest income bracket (17.2 percent of the persons earning less than four times the minimum wage). Janio also is the favorite of persons 36 years of age and older (19.6 percent) and of men (19.1 percent). Among those who voted PTB in 1982, 60.3 percent would vote for Janio for mayor. In the PMDB, the migration of votes to Janio is 12.1 percent. Among young people who did not vote in 1982, 15 percent would now vote for Janio.

The third name most mentioned was that of the present foreign affairs minister and former mayor of Sao Paulo, now affiliated with the PFL, Olavo Setubal (11.3 percent), followed by Eduardo Suplicy of the PT [Workers Party], Paulo Maluf of the PDS [Social Democratic Party] and Almir Pazzianotto of the PMDB, both with 6.7 percent. The percentage of those saying they "did not know" among those interviewed exceeded that of many names: 11.3 percent, expressing, in general, the reaction that "it is still too early to choose a candidate."

In regard to party preference, the PT has 10.7 percent and the PDT [Democratic Workers Party] has 6.4 percent. The PDT name chosen in the poll, Adhemar de Barros Filho, has 3.4 percent of the preferences.

(1) P1 Entre os seguintes nomes, em quem o(a) Sr(a) votaria para prefeito de São Paulo?																
(2) (SEXO E IDADE)																
NOMES (7)	HOMEM (3)			MULHER (4)			Subtotal		TOTAL	(5) (NIVEL DE RENDA FAMILIAR)			(6) (FAIXA ETÁRIA)			
	19 a 30 a %	31 a 50 a %	51 a ou + %	17 a 30 a %	31 a 50 a %	51 a ou + %	M (3)	M (4)		NOMES (7)	Até 2 a S.M. %	De 3 a 10 S.M. %	11 a 20 a %	(8) 17 a 30 a %	(9) 31 a 50 a %	(10) 51 a ou + %
Ademar de Barros Filho (PDT)	3,0	2,5	5,5	—	4,5	3,0	3,8	3,0	3,4	Ademar de Barros Filho (PDT)	4,0	3,6	2,3	1,6	3,6	4,3
Alberto Goldman (PMDB)	3,0	0,6	2,0	1,1	1,1	0,6	1,7	0,9	1,2	Alberto Goldman (PMDB)	1,0	1,4	1,4	2,0	0,8	1,3
Almir Pazzianotto (PMDB)	7,1	6,5	4,0	6,0	10,1	6,5	5,7	7,8	6,7	Almir Pazzianotto (PMDB)	5,9	7,9	6,4	6,5	8,3	6,7
Caio Pompeu de Toledo (PMDB)	2,0	1,1	2,0	2,0	2,0	3,0	1,7	2,4	2,0	Caio Pompeu de Toledo (PMDB)	2,3	2,8	0,5	2,0	1,6	2,5
Edson Arantes do Nascimento-Pelé	4,0	3,0	2,5	1,1	2,0	3,6	3,0	2,4	2,7	Edson Arantes do Nascimento-Pelé	3,7	2,8	1,0	2,5	2,5	3,0
Eduardo Suplicy (PT)	7,1	9,1	2,5	16,1	14,5	7,1	6,0	11,8	8,9	Eduardo Suplicy (PT)	6,7	10,9	10,0	11,6	11,8	4,8
Guilherme Afif Domingos (PDS)	3,0	2,0	2,0	1,1	1,1	1,1	2,2	1,1	1,6	Guilherme Afif Domingos (PDS)	1,3	0,9	3,7	2,0	1,6	1,6
Jânio Quadros (PTB)	14,1	16,6	24,1	13,1	11,1	15,1	14,1	13,1	16,0	Jânio Quadros (PTB)	17,2	16,0	14,1	13,6	13,8	19,6
José Maria Marin (PFL)	4,0	4,0	4,0	4,0	5,0	3,0	4,0	4,0	4,0	José Maria Marin (PFL)	5,2	3,0	3,7	4,0	4,5	3,6
José Serra (PMDB)	1,1	1,6	0,6	—	—	0,6	1,1	0,2	0,6	José Serra (PMDB)	0,3	0,6	1,4	0,6	0,8	0,6
Luiza Erundina (PT)	1,1	1,6	0,6	—	2,0	—	1,1	0,9	0,9	Luiza Erundina (PT)	0,8	1,1	1,0	0,6	1,8	0,3
Mário Covas (PMDB)	20,1	12,6	19,6	25,1	9,1	16,1	16,9	15,1	15,9	Mário Covas (PMDB)	16,2	17,6	12,7	22,6	10,8	17,8
Olavo Setúbal (PFL)	9,1	12,1	16,1	6,0	11,1	10,1	13,1	9,7	11,3	Olavo Setúbal (PFL)	7,9	11,9	16,8	7,5	11,6	13,1
Paulo Maluf (PDS)	3,0	7,1	4,0	6,0	8,1	10,1	5,0	8,5	6,7	Paulo Maluf (PDS)	6,9	5,2	9,1	4,5	7,5	7,1
Samir Achaoui (PMDB)	5,0	4,5	2,0	1,1	3,0	3,0	3,6	2,6	3,1	Samir Achaoui (PMDB)	4,5	2,5	1,9	3,0	3,8	2,5
Severo Gomes (PMDB)	5,0	2,0	1,1	1,1	3,0	1,1	2,2	1,8	2,0	Severo Gomes (PMDB)	2,0	1,4	3,2	3,0	2,5	1,1
Outros (14)	—	4,5	—	2,0	1,6	1,6	1,8	1,7	1,7	Outros (14)	2,5	1,7	0,5	1,1	3,0	0,8
Não Sabe (15)	9,1	9,6	8,1	15,1	11,6	15,6	8,8	13,9	11,3	Não Sabe (15)	12,8	9,8	11,4	12,1	10,6	11,8
NUMERO DE ENTREVISTAS	100	200	200	100	200	200	300	500	1000	NUMERO DE ENTREVISTAS	409	370	221	200	400	1000

Key:

1. Question: Among the following names, for whom would you vote for mayor of São Paulo?

2. Sex and Age

3. Men

4. Women

5. Household Income

6. Age Group

7. Names

8. 17 to 19 years

9. 20 to 35 years

10. 36 years and older

11. To 4 times Minimum Wage

12. 4 to 10 times "

13. Over 10 times "

14. Others

15. Don't know

16. Number of persons interviewed

P1 Entre os seguintes nomes, em quem o(a) Sr(a) votaria (1) para prefeito de São Paulo?									
	(2) Em que partido o(a) Sr(a) votou em 1982?					(4)		(5)	
	PMDB	PT	PDS	PTB	PDT *	Nulo/* branco	N Lembra	Não em eleitor	
Ademar de Barros Filho (PDT)	3,7	4,3	3,0	3,5	(1)	(1)	8,1	1,6	3,4
Alberto Goldman (PMDB)	1,6	—	—	1,2	—	(1)	—	1,6	1,2
Almir Pazianotto (PMDB)	9,3	9,7	1,0	1,1	(2)	(1)	2,8	5,9	6,7
Caio Pompeu de Toledo (PMDB)	3,1	—	2,9	—	—	—	2,8	1,6	2,0
Edson Arantes do Nascimento — Pelé (Independente)	2,0	3,3	2,9	4,5	—	—	8,1	2,4	2,7
Eduardo Suplicy (PT)	5,8	35,5	3,9	1,1	(1)	(3)	2,8	9,1	8,9
Guilherme Alif Domingues (PDS)	0,5	—	8,9	—	—	—	—	2,0	1,6
Jânio Quadros (PTB)	12,1	9,7	6,8	60,3	—	—	13,5	15,0	16,0
José Maria Marin (PFL)	4,6	1,1	7,8	—	—	(1)	—	4,3	4,0
José Serra (PMDB)	1,3	—	—	—	—	—	—	0,4	0,6
Luiza Erundina (PT)	0,2	5,4	1,0	—	—	—	—	0,8	0,9
Mário Covas (PMDB)	21,6	3,2	6,8	5,6	—	—	10,7	21,3	15,9
Olavo Setúbal (PFL)	14,6	5,3	16,7	8,0	(2)	(3)	5,4	7,4	11,3
Paulo Maluf (PDS)	3,3	2,1	27,5	3,4	—	(1)	10,7	6,2	6,7
Samir Achão (PMDB)	3,8	4,3	2,9	1,2	—	—	2,8	2,8	3,1
Severo Gomes (PMDB)	2,5	—	1,0	2,2	—	—	—	2,7	2,0
Outros (6)	1,9	2,2	1,0	—	—	(1)	2,8	1,6	1,7
Não sabe (7)	8,1	13,9	5,9	7,8	(2)	(7)	29,5	13,3	11,3
NÚMERO DE ENTREVISTAS (8)	399	93	102	88	(8)	(19)	37	254	1000

\* Números de casos insuficientes para porcentagem. (9)

Key:

1. Among the following names, for whom would you vote of mayor of Sao Paulo?
2. For which party did you vote in 1982?
3. Nullified or blank ballot
4. Don't remember
5. Was not a voter
6. Others
7. Don't know
8. Number of persons interviewed
9. Number of cases insufficient for computing a percentage

Mario Covas was responsible for almost half of the PMDB voting intentions (15.9 percent among 31.9 percent of the total). His current position of ineligibility faces the party with the difficult task of finding a candidate with the same degree of popularity, inasmuch as the second highest number of preferences among

PMDB personnel was Almir Pazzianotto, with no more than 7 percent of the voting intentions. The other PMDB members mentioned in the poll had the following respective percentages: Samir Achoa, 3.1 percent; Caio Pompeu de Toledo, 2 percent; Severo Gomes, 2 percent; Alberto Goldman, 1.2 percent; and Jose Serra, 0.6 percent.

In the PDS, the second highest is Guilherme Afif Domingos, with 1.6 percent of the preferences. In the PFL, besides Setubal, there is former governor Jose Maria Marin, with 4 percent. In the PT, besides Suplicy, Councilwoman Luiza Erundina has only 0.9 percent. One name without a party, that of Edson Arantes do Nascimento, Pele [the soccer player], shows up in the poll with 2.7 percent of the preferences.

Former mayor Olavo Setubal has 14.6 percent of the votes that went to the PMDB in 1982. Among the 1982 PDS voters, 27.5 percent would vote for Paulo Maluf, while 16.7 percent prefer Setubal.

Of those who voted PT in 1982, 35.5 percent would vote for Eduardo Suplicy. One interesting fact is that the current labor minister, Almir Pazzianotto, received proportionately more voting intentions among PT voters than among those of the PMDB (9.7 percent compared to 9.3 percent, respectively).

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BRAZIL

# GENERAL NEWTON CRUZ DEFENDS CAREER, DISCUSSES CANDIDACY

Sao Paulo ISTOE in Portuguese 15 May 85 pp 32-36

[Text] When General Newton Cruz was discharged from the Planalto Military Command (CMP) in November of last year, the then still candidate for president of the republic, Tancredo Neves, expressed his relief to Deputy Paulo Mincarone (Brazilian Democratic Movement Party--PMDB--Parana), his visitor that morning: "Now I am more at ease." As chief of the opposition alliance that would gain power in the Electoral College, Tancredo had just spent 60 tense days, when he secretly feared a power play that would remove him from power. It is no secret that the deceased creator of the Democratic Alliance saw in Newton Cruz the only officer capable of carrying out a military adventure at that time.

Now in the reserve by decision of the Army High Command, which mandatorily interrupted his career in March, General "Nini" (a nickname he received from his oldest brother when he was still a child) says that he was "misinterpreted" and "wronged." According to him, if it had not been for the case of journalist Alexandre von Baumgarten, who was found dead on a Rio Beach at the end of 1982 after leaving a diary in which he accused the National Intelligence Service (SNI) of plotting his death, today he would still be the same officer who, as a lieutenant-colonel, in the sixties, began to work in the Rio de Janeiro agency of the SNI.

The truth is that only in the last 2 years has the general--who is 60 years old, has 4 children and is on the way to having his 10th grandchild--begun to appear regularly in the press. During his long career in intelligence, he was always praised by his chiefs. Since the SNI has become the subject of charges by the accused, he has become the subject of more and more controversial episodes. The most famous of them, perhaps, was the attack on radio reporter Honorio Dantas in December 1983, after forcing him to apologize before the TV cameras for an unimportant comment. "I did not attack him; I held him by the arm--if that is an attack," explained the general in an interview recorded last week when ISTOE asked him to explain in more detail the statements he had made in writing in a letter to the editor (see below). General Cruz expressed a willingness then to speak about all the episodes that have made him known.

[Question] What did you feel when you saw that Dr Tancredo Neves' victory over the Social Democratic Party (PDS) was inevitable?



[Answer] I regretted it deeply because I made the 1964 revolution; I participated in it. I admit that over the years not everything went as we, who made the revolution for completely new ideals, wanted. But today, they only talk about 21 years of arbitrariness, 21 years of military dictatorship. So what resulted is a government that denies the whole revolution. No one can dispute that.

[Question] Did you think of some way of preventing that from happening?

[Answer] No. You must be thinking of the fact that there was--it was even published--that I was allegedly thinking of a coup. That is folly, folly. Think of a coup, only if I were an idiot. How was I going to carry off a coup alone! Furthermore, any coup I would make would be a sign of my disloyalty to the military leaders whom I have served in every way, with all possible intensity and loyalty. Never, never. I left the Planalto Military Command, and what evidence was there of the preparation of a coup? There were people who sought me out in the name of Tancredo Neves, of the opposition, and I always said the following: Until 15 March, I am in favor of the government that is here. I am loyal to this government.

[Question] Were they emissaries of Doctor Tancredo?

[Answer] I don't know if they were emissaries, but they were people who came to speak, and did speak, in his name. Those who sought me out, asked my opinion about the minister of the army, and in that situation, I said that of the prominent ones, perhaps the best was Leonidas Pires Goncalves. In the Planalto Military Command, I had some 12,000 under my command. Ask any of them if he was approached about coups or received orders in that regard. A single one. Carry out a coupe with whom? Was I going to mount Amyr (the general's favorite horse, a white horse that was a gift from former President Joao Figueiredo), enter the Esplanade of Ministers, carry a sword and look just like Don Quixote, alone?

[Question] But there were some signs, like the suspension of leaves of CMP personnel at the end of last year.

[Answer] That's all false rumor; there was none of that; it's all lies. There was never any action on my part in that regard. Furthermore, at that time, there was a leave plan that was not mine; it was from higher authority; nothing to do with me. I did not have the authority for that.

[Question] But the residents of North Lake even saw tank movements.

[Answer] That's a lie. The tanks were being shown to the Americans, who were here. The general staff asked for a demonstration for them and the tanks went there to North Lake to put on a demonstration.

[Question] Let us take another case. Colonel Aridio Mario de Souza Filho, one of the men under your command, reportedly went to a police station in Brasilia to release military men who had been putting up fake Brazilian Communist Party posters supporting Tancredo's candidacy on the city's walls.

[Answer] The CMP had nothing, nothing, nothing to do with that episode. And you know as well as I that that episode was dealt with at the Army Ministry level. Colonel Aridio, to whom you refer, is a high-caliber officer. He never did anything wrong; I can guarantee that. He remains a great friend of mine. When there was a somewhat similar episode in Goias, which was in my area, I handled the matter.

[Question] Further on, there was a meeting of the Army High Command that assessed the political situation. Is it true that you supported a harder line there?

[Answer] No, no, no. There was none of that.

[Question] But when you came out, you complained about the performance of the generals.

[Answer] They published that and I denied it. But my denial is worthless to this day because you continue to insist.

[Question] After all that, general, you ended up having your career cut short by the Army High Command, did you not?

[Answer] No, no. The High Command decided and it is its right to decide. I do not dispute that.

[Question] But do you consider yourself wronged?

[Answer] Of course I consider myself wronged. That is obvious because I am aware that for 44 years I served the army well and I believe I could have easily continued in my career.

[Question] And the Baumgarten case. He wrote a diary in which he stated that the SNI, particularly you, had plotted his physical elimination. Some time later, Baumgarten was found dead on a Rio de Janeiro beach. What do you have to say about that?

[Answer] What I have to say I already said at the time. And I placed the matter where it should be placed, being chief of the SNI Central Agency.

[Question] Why did you decide to speak?

[Answer] Because in the diary that he left, he mentioned the names of several SNI employees. So it was necessary to see that the agency was cleared of suspicion. Since I was the chief of the Central Agency, I had to say that: that anyone who may have intervened in the matter did so on my order, following my directive, within my functions. Consequently, they had acted as members of the SNI. They were exempt from testifying on the matter, according to the law establishing the SNI.

[Question] What was your personal relationship with Baumgarten?

[Answer] I never had any relationship with Alexandre Baumgarten. I must have been with him at least three times, 5 minutes each time, at his request. Once when he appeared in my office and said: I have title of ownership of O CRUZEIRO and I propose to use this magazine to defend and work for the government. I thought that was a good idea and offered to facilitate contacts.

[Question] Did you know in advance about his diary?

[Answer] No, only when it was published. I personally handled the matter only after it appeared. I gave a deposition to the chief of police, to the judge, saying what I could say. His death is a police matter; it is not within the purview of the SNI. We have nothing to do with his death.

[Question] Are you a candidate for the Constituent Assembly?

[Answer] About a month ago, I could not have admitted that possibility. I was a soldier and my intention was to do what I had sworn to do as a soldier: to defend the fatherland, guarantee the constituted powers, the law, order, those things that are constitutional. But I ended my career in such a manner that my personal honor was bandied about as if it were a cheap piece of goods from some tenth-rate brothel. I have to live according to the rules of the game. The game today is that one. Now I have to enter that game in the team I believe I should enter.

[Question] And what team is that?

[Answer] For me, the team of the good patriots, the good patriots who think as I do. I am going to be a member of the opposition. Where does the opposition exist today? There is only the Social Democratic Party (PDS). So I am going to join the PDS.

[Question] What ideas do you plan to bring to the Constituent Assembly?

[Answer] Perhaps it will not be "bringing" properly speaking. Perhaps it may even be to prevent putting more in the Constituent. For example, I am very afraid that in some way the country's swing to the left may be embodied in the constitution. I believe there is a tendency in that direction today.

[Question] Are the strikes manifestations of that leftist swing?

[Answer] No. There were also strikes in the previous government. There is something more now, that problem of taking hostages, of invading. Striking is perhaps one of the basic rights of the worker but it has to be within the rules of the game. For example, I do not admit of strikes in the public and essential services. It is illegal and prohibited by the constitution.

[Question] In those cases, what should be the government's attitude?

[Answer] Act according to the law; that's all, nothing more. Apply the law uncompromisingly.

[Question] How about the legalization of the Communist Party (PC)?

[Answer] The constitution is in favor of a multiparty system but it makes some restrictions. For example, no political party can have a connection of any kind with the action of a foreign government, entity or any other foreign body. It has to be genuinely Brazilian. I am against legalization. In my opinion, according to the present constitution, it cannot contend. And if I can maintain that prohibition in the future, I will do so.

[Question] There is much talk today in the New Republic about redefining, rediscussing, the duties of the SNI. Do you concur?

[Answer] Excuse me but I will not discuss that part. It's a matter of ethics.

[Question] Let us restrict the SNI to the period when you were there.

[Answer] When I was there, I am absolutely certain that the SNI never shunned its duties. Otherwise, I would be denying myself.

[Question] How do you see the role of the intelligence service in a modern state?

[Answer] As the SNI was in my time . . . I am not going to discuss how it was. I did the best I could.

[Question] In the SNI of your time, were there many vetoes of people named for positions of trust in the government because of having a bad file in the "Biographic Data List"?

[Answer] No, absolutely not. In my time, I used to check it personally. When there was, let us say, adverse data, I was the one who had to see it. Any adverse case, I used to see one-on-one to determine if I was convinced of that. What influenced more was the matter of competence.

[Question] Was anyone vetoed for ideological reasons?

[Answer] Of course. You must agree that anyone who is against the revolution in a revolutionary government should not come in.

[Question] But the citizen does not have access to the information about him in the state's archives.

[Answer] He can't have. He does not have it in any country in the world. If there is that access, the individual is going to discuss, going to raise problems. The government has the right to choose. Some who were vetoed previously are not any longer today. The government is organized according to what it plans to do.

[Question] And about corruption, did the SNI also concern itself about it?

[Answer] Very much. Of course, because it is its duty.



[Question] Then how do you explain the succession of financial scandals, corruption, that occurred in the past government?

[Answer] I don't have to explain anything. That is not the SNI's problem. The SNI only informs and that is it.

[Question] Did it inform about the Capemi case, for example?

[Answer] Of course. The intervention in Capemi was because of our information. There was corruption there but it was more a case of bad management. When the conclusion was reached that there was bad management and that there was no way to correct that, that the only way was intervention, we wrote that. I was the one who wrote it, who signed it.

[Question] Was there another case in which the SNI warned the government?

[Answer] No. And if there were, I would not say it. I spoke about Capemi because it is a matter about which I was accused.

[Question] Did you have an actual part in the 1964 movement?

[Answer] A small part, small. But I never belonged to any group; I always acted according to my conscience, according to my convictions.

[Question] To what do you attribute that general condemnation of the 1964 movement, expressed, for example, in the big rallies last year?

[Answer] It is because the government lost the battle of communications. If it had explained, had informed the people as it should, it would at least have established the contrast. For example, the matter of the campaign for direct elections now. The government let others do what they very well pleased for almost a year. At the end, I alone had to secure things here in Brasilia because it is written in the National Security Law that it is a crime to impede the free operation of the branches of government, whether by violent means or by serious threat. The president decreed the emergency on the basis of that serious threat to the congress, and I guaranteed the operation of congress.

[Question] Did the government stand on your side?

[Answer] It did, but I did not receive any guidance; I did not receive anything. This is the decree, do it. I even felt very honored because I have the capability to act alone. I acted according to my conscience and according to the powers I had. The president even praised me; said that I had implemented the measure well.

[Question] Speaking of emergencies, is it true that you planned to leave the people "beyond Paracatu" if they were decreed for the Electoral College?

[Answer] I never said that to anybody. The third emergency never entered my mind. It would be asinine on the part of the government because it would



blemish the last act. It would be the political finishing touch with emergency. It would make no sense.

[Question] Today are you in favor of or against the emergency measures?

[Answer] Assuming that I go to congress, I will be in favor of the removal of the emergency measures from the constitution. You have state of siege, state of emergency; that just needs to be straightened out.

[Question] Was the invasion of the Brazilian Bar Association (OAB) to guarantee the operation of congress?

[Answer] The invasion of the OAB was nothing like they say it was. I had said that there could not be a meeting of a political nature. The OAB held a meeting of lawyers there, a meeting of a political nature. I have all the speeches that were made there, I have them with me, criticizing the emergency. What I ordered the Secretariat of Security to do was misinterpreted. I said that there could not be any more meetings in the OAB, that the OAB be interdicted for that purpose. And there, they understood that "interdict" is to "close," and they closed it. When I learned that, I immediately lifted the interdiction. Do you know how long the building was interdicted because of that excess? Forty minutes. Do you know how long it remained closed by order of the OAB itself? Ten days. They left it sealed, to open it with a formal ceremony.

[Question] Before this interview, you said that the government could reestablish direct elections. Did the SNI suggest that at any time?

[Answer] On that occasion, since I knew the conditions the country was facing, problems from abroad with repercussions here in Brazil, I saw the tendency of the government to become ill-regarded in the end, because of the situation it was going to face because of the measures it would have to take. I felt then that the government should schedule direct elections for his successor's successor. That is what they wanted to do at the last minute, however, adding a number of things to it. I wanted a simpler thing. It was an assessment of ours, honorable intelligence work, not the work that you people talk about: police work. It was mental work, thinking.

[Question] To conclude, general. Are you or are you not afraid of falling flat on your face in running as a candidate?

[Answer] I could never fall flat on my face. I could never be disappointed. My objectives are not the gaining of power or a position. I am going to be able to speak as I am speaking now. I am going to defend my ideas. Since I do not want anything for myself, I could never fall flat on my face. I am always going to gain.

The General and Riocentro: Newton Cruz Complains About the Report

General Newton Cruz wrote a three-page letter to ISTOE on 24 April of this year. In it, he asks that references to his name that appear in the report,

"Riocentro--Names and Code Names Come Out of the Shadows," published in Issue 435, which according to him "do not correspond to the truth," be rectified.

In the first three paragraphs, General Cruz states that he did not believe that four generals mentioned in the report revealed the information published about "Operation Crystal." "They would never do that," he said. He also considers "pure fantasy" the narrative in a book by Colonel Dickson Graef about Riocentro, quoted first-hand in the report. As for the book, the quotations belong to Colonel Graef. "Operation Crystal," quoted extensively in 1980, the time of the fires of dozens of newspaper stands, was discussed by the four generals with several subordinates with whom the magazines confirmed the facts. Further on, the general referred to a former military minister, quoted in the report as a person who is convinced that the responsibility in the case belonged to him: Newton Cruz. The letter says: "That tops it! Now this! Let that minister show himself, if he exists, because he is a scoundrel (an infamous person, capable of vile deeds)!" ISTOE guarantees that the former minister exists and is alive and well.

The general also denies that the SNI had "inveigled" two agents of the Department of Internal Operations (DOI) of the 2d Army in an action outside the chain of command, or had invited two former senior army officers, the brothers Leo and Cyro Etchegoyen, for an irregular operation in the Northeast. He considers those stories "an insult." He also denies that he had at any time quarreled with General Jose Luis Coelho Neto or had uttered the words, "They did an asinine thing," referring to the military men surprised at the Riocentro explosion.

ISTOE guarantees that those specific points noted by General Cruz were recounted and confirmed by five high-ranking military officers.

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BRAZIL

DORNELLES ON DEBT RESCHEDULING PROSPECTS, IMF DEMANDS

Rio de Janeiro MANCHETE in Portuguese 1 Jun 85 pp 16-18

[Interview with Finance Minister Francisco Osvaldo Neves Dornelles in Brasilia by Ney Bianchi; date not given]

[Text] It was not exactly a regal present giving him the Finance Ministry to be responsible for. In fact, he received, "ipsis litteris," an empty safe to take care of. He became guardian of the doors the Old Republic had battered down on its way out. And that was for 21 years in a row.

When President Tancredo Neves asked his nephew Francisco Osvaldo Neves Dornelles to be finance minister, on the threshold of the New Republic, he knew what he was doing. He wanted a man of complete integrity to remove Brazil from the red. For Francisco Dornelles, 50 years old, 30 of them lived in an atmosphere of numbers, amounts, accounting minutia, methods of taxation and laws in general, the position was, in the end, that of an authentic hunter of the lost ark (of Brazil).

Even when others raised objections to his appointment, Dr Tancredo was determined. As, indeed, he had been with respect to other cabinet appointments:

"A minister is in a position of trust," he would say. "I choose my own. And I take responsibility for them."

To those who saw Dr Francisco Dornelles as a finished product of the Old Republic, Dr Tancredo would reply:

"If that is so, at least this is one good thing it left us."

When he took over the government, President Jose Sarney bought this argument. And he was not sorry, because Minister Dornelles started out on the right foot in the Finance Ministry: the inflation rate for April--5 percent--was the lowest the country has had in recent years. Simultaneously with this feat, he was beginning a war without quarter against speculators and embezzlers at the

same time he was mounting an unrelenting attack on so-called "white-collar crime." He gave the public time to breathe by holding the line on prices of basic commodities. He gained the trust of congressmen when he went to the Chamber of Deputies to report frankly all the economic problems he had inherited and the solutions he intended to adopt to solve them. He was given a green light to go ahead. And he went, departing for the United States, where he advocated the new rules of the game he intended to follow from now on with the international bankers and the IMF. He was heard and, once again, respected.

He works 16 hours a day and his immediate staff follows the same routine, which at times does not stop even on weekends. For any who still doubt the capacity of Minister Francisco Dornelles, a reminder: he intends to bring order to Brazil's finances before the National Constituent Assembly is held. And then, when the nation effectively enters its existence as the New Republic, it might be that even Minister Francisco Dornelles will take 1 or 2 days to rest. After all, no one is made of iron...

In this exclusive interview with MANCHETE, he says what he is doing--and will do--to remove Brazil from bankruptcy.

MANCHETE: In view of your recent meetings with the IMF and our international creditors, what prospects were opened for Brazil in regard to the terms that could be set for rescheduling our foreign debt, bearing in mind especially the new government's promises about preservation of national sovereignty and resumption of economic growth?

Dornelles: In the first place, the basic points for an agreement with the IMF were established, which constitutes an essential condition for rescheduling of Brazil's foreign debt with private international bankers and official creditors. It should also be pointed out that the negotiating mission is to arrive in Brazil by the end of this month.. As an important point, the Bank Advisory Committee is studying the extension for 90 days of the period that is to close on 31 May for Brazil to normalize its relation with the IMF and thus become eligible for rescheduling of the foreign debt. The negotiations with the committee should go on simultaneously with the discussions with the IMF, so that signing of the rescheduling contract with the private international banks may occur simultaneously with signing the agreement with the fund.

MANCHETE: Why did you prefer negotiating an agreement of the "standby" type to retaining the broadened agreement signed by the previous government?

Dornelles: The agreement signed by the previous government ("Extended Fund Facility"), with a duration of 3 years, would expire on 27 February 1986, but with its annual goals still unfeasible. For this reason, it would be more advisable to initiate a new type of negotiation along the lines of a "standby" agreement, perhaps with longer durations and more realistic goals.



MANCHETE: Will the government keep its 422 state enterprises on an active basis, despite about 12 trillion cruzeiros being necessary to enable them to return to operation?

Dornelles: State enterprises have their financial programming (Aggregate Expenditures Program--PGD) approved by the president of the republic, for submitting to the SEST [Special Secretariat for Control of State Enterprises]/SEPLAN [Planning Secretariat]. This consolidated budget, now in the process of revision, implies a great effort of financial adjustment, which certainly will not eliminate the expected potential deficit, but will be able to reduce it to bearable amounts, or better, amounts that can be financed more suitably. The liquidation or absorption of a company is one of the jobs of the Denationalization Commission, which is guided by various criteria in selection of the business activities that should indeed remain the responsibility of government enterprises.

MANCHETE: How can the nation's growth be reconciled with the demands of the IMF?

Dornelles: The major objective of the government's economic policy is economic growth, on a sustained basis, resulting in creation of new jobs and in a better distribution of income. No "demand" of the IMF can jeopardize this objective, which has to do with the very sovereignty of the nation's decisions. In fact, the IMF is not in a position to make "demands," but rather to approve or not our program of economic adjustment, which will be presented to that organization at the proper time. The objectives of the program and the instruments to be used will be determined by the government.

MANCHETE: From the New Republic's point of view, what are the basic points to guide development of the Brazilian economy?

Dornelles: First of all, elimination of the obstacles that are the most proximate threat to growth: inflation, the foreign debt and high interest rates. Inflation and high interest rates are by-products of the public-sector deficit, which must be eliminated through a broad program of rehabilitating public finances.

MANCHETE: Do you think it is fair for home mortgages to be computed (and charged) on the basis of the ORTN [Indexed National Treasury Bond], transforming the mortgagee's debt into an uncontrollable snowball?

Ministry Technical, Congress Political

Dornelles: This matter is being studied by the BNH [National Housing Bank]. There are many injustices in our economic and social system; however, in proposing corrections, we must always indicate who will pay the bill. If we want a given subsidy, whether for persons buying their own homes or for any other social group, we must find a way of financing it. And from my point of view it is Congress, as the legitimate representative of society, that should decide about this.

MANCHETE: Will the new style of always going to Congress to discuss the decisions of the government be maintained?

Dornelles: It is a logical corollary of democracy.



MANCHETE: When the finance minister goes to Congress requesting funds for the fiscal budget is he, in doing so, forcing a division of responsibilities, retaining the technical part and giving the political part to the politicians?

Dornelles: In a certain sense, yes. The Finance Ministry is part of the administration, but is above all a technical agency. Who better than the politicians to make political decisions?

MANCHETE: Can the political solution sought for the Sulbrasileiro case establish a precedent for cases such as those of Coroa-Brastel, Capemi, Sunaman, Brasilinvest and others?

Dornelles: It is not a matter of "establishing precedents," but rather of exercising democracy in economic decisions. Society pays the taxes. Now, who better than its legitimate representatives to decide what to do with the money from these taxes? Hasn't it been this way for centuries in the more developed societies?

MANCHETE: Considering the successive scandals that have come to light, the deeper the government carries its investigation, would you have an estimate, offhand, of how much the nation has been robbed of in all these years?

Dornelles: I don't have an all-inclusive idea, nor do I consider it relevant to seek this figure at this time. We can't recover the past. What seems important is to reestablish responsibility, find out the truth about what has been going on, and let society decide how to deal with the question.

#### More Effective Law Against White-Collar Crime

MANCHETE: The existing legislation for punishment of financial crimes seems defective and mild (small penalties for large robberies). Will you suggest to your colleague, Justice Minister Fernando Lyra, changes making the law more harsh?

Dornelles: There is now a commission studying the matter, by decision of the president of the republic, since the first ministerial meeting. It was established by Decree No. 91,159 of 18 March 1985, to prepare a bill about responsibility in financial markets; it is composed of five specialized jurists and is chaired by Dr Jose Luiz Bulhoes Pedreira. This bill will undoubtedly overcome the ineffectiveness of the existing legislation in regard to definition and investigation of criminal, civil and administrative liability of controllers, administrators and auditors of institutions participating in the monetary and capital markets, as well as stipulating authorities and procedures for holding transgressors responsible by way of an example to others, also preventing situations of illiquidity and insolvency. But it will not be only a criminal law but rather a banking law, including criminal, civil and administrative penalties.

MANCHETE: In accordance with the decision of the judge of the 11th Federal Jurisdiction, which refused to grant the request of preventive arrest against Mr Mario Garnero of the Brasilinvest Group, wouldn't it be incongruous to arrest him before a lawsuit that would practically free him (he would be entitled to "prisao-albergue" [house arrest] and the sentences would total less than 4 years)? How, then, do you punish such cases of fraud?

Dornelles: This aspect of the problem is beyond my jurisdiction. The finance minister's responsibility is to ask the Justice Ministry, which is sovereign in such decisions, to take the necessary measures.

MANCHETE: The role of the national treasury is of prime importance for the good operation of the 100-Day Plan. What items in that plan do you consider of primary importance?

Dornelles: I don't know of any 100-Day Plan. If the reference is to the Priorities 1985 Program, I would like that question to be put to my colleague in SEPLAN, who is responsible for preparing it. I should like to emphasize the role of the finance minister: he does not decide upon resource allocation. It is the responsibility of the Planning Secretariat, along with the sectoral ministries, to prepare, or suggest to the president, to the Congress, the ways of applying public funds. It is up to the Finance Ministry to study various ways of raising money and of managing it properly. This division of responsibility is clear in the text of the law, and is absolutely logical.

MANCHETE: Are you sure that the measures of the recent "package" will succeed in deterring--or even in diminishing--the inflationary spiral?

Dornelles: What "package"? Are you referring to some measures adopted recently? If the reference is to these measures, my answer is no. The struggle against inflation will be a constant, tenacious, ever-improving effort. The finance minister will not be satisfied until the rate of inflation reaches zero.

MANCHETE: What is the period you are stipulating for these measures to begin producing results?

Dornelles: The results of the first measures already emerged in April. This month we will have an inflation that may even be less than 8 percent. But as I said, and I repeat, this is not enough. It is only the beginning. I contend that the struggle must be a permanent process.

MANCHETE: Isn't there a contradiction between control of the inflationary process and reactivation of development?

Dornelles: I assure you, and I reaffirm, that every effort will be made for inflation to fall.

MANCHETE: What is the forecast of inflation for this year?

Dornelles: I don't consider this type of futurology relevant. I don't have a crystal ball. What I can guarantee, and reaffirm, is that inflation will fall, by a substantial amount, and that I will not rest as long as it still exists.

MANCHETE: How will it be possible to reconcile the fight against inflation with the capitalization of business firms via the capital markets?

Dornelles: How is it possible to reconcile inflation with any healthy form of capitalizing business firms? Inflation is the most perverse, the most unjust

form of forced savings. Its elimination will permit a return to more wholesome forms of financing development, especially of capitalizing business firms.

MANCHETE: Brazil depends heavily on exports. How will it be possible to keep them at a high level without the IPI [Tax on Industrialized Products] credit and without credit insurance for exports?

Dornelles: Exports are holding up very well. We have a realistic exchange policy, sufficient credit was reallocated for this in April, there are new incentives in the international markets. But we must learn to compete without subsidies, because they are very expensive and are against the rules of the game internationally. Why is this necessary? Just look at the results: in April we have a trade surplus of about \$1 billion. The signs indicate recovery. But if there is any way of reducing tax burdens or other obstacles, that are not subsidies, we are always ready to analyze the proposals.

MANCHETE: What will be the guideline regarding import-substitution policy?

Dornelles: Although this is a matter for the minister of industry and commerce, we can say that the guidelines for import substitution are included in the guidelines of industrial policy as a whole. The big investments for import substitution have already been made. The MIC [Ministry of Industry and Commerce] must identify what can still be done, what room and opportunities yet remain for import substitution.

MANCHETE: Do you fear that the price freeze will cause pent-up inflationary demand?

Dornelles: There is no price freeze. What is happening is that the government is monitoring prices. When the price of a given product is raised, the increase is granted on its current cost structure and not on the expectation of a future inflation.

8834

CSO: 3342/191

BRAZIL

DORNELLES REAFFIRMS CURRENT MONETARY POLICY, INTEREST RATES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Jun 85 p 32

[Text] Brasilia--"Monetary policy is not the Central Bank's business. It is the business of the minister of finance, and it is not going to be changed. As long as the deficit in the public sector has not been eliminated, the Central Bank will continue to act upon the market, and under no circumstances is it going to impose artificial interest rate levels."

That emphatic statement was made yesterday by Minister of Finance Francisco Dornelles in an attempt to clarify once and for all the direction being followed by economic policy in the New Republic, which prefers sustained growth in the economy with no risk of the money supply getting out of control and causing a process of hyperinflation.

As a result, maintaining the current monetary policy means maintaining high interest rates until inflation slows and the public sector deficit is eliminated. And the statement by Dornelles means that at the moment, the Ministry of Finance has preponderant influence over the direction of economic policy.

Debate

What is at issue between the Ministry of Finance and the Planning Secretariat of the Presidency [SEPLAN] is the economic policy of the transitional government. SEPLAN is recommending that the economic policy stress the growth of production. It argues that to keep economic activity heated, financial costs must be reduced.

For its part, the Ministry of Finance feels that there is no point in having a high rate of economic activity when inflation is at a high level, as it is now in Brazil, because inflation transfers income from wages to capital. The Ministry of Finance recalls that industrial activity has grown by only 8 percent over the past 12 months and that that rate must be maintained, not neglected. And less rigidity in the monetary policy now--which is what SEPLAN recommends--will mean high inflation in the not-too-distant future.

SEPLAN argues that restricting the issue of currency now only postpones the problem until later, but the Ministry of Finance reiterates that inflation must be combated first so that it will not inhibit economic growth in the future.

In SEPLAN's view, it is necessary to reduce interest rates first and then to combat the public deficit, but in the view of the Ministry of Finance, the path to be followed is just the reverse.

#### Artificial Action

Over the past few weeks, following Sarney's meeting with private economists and ministers at Granja do Torto, it has been increasingly suggested that the Central Bank should take the initiative in reducing the current level of interest rates by one-third. The proposal was first made by Minister of Planning Joao Sayad. And the day before yesterday, it was repeated by a former adviser to Delfim Netto, Ibrahim Eris, who was in a position for 5 years to put that suggestion into practice but did not do so.

The chairman of the Central Bank, Antonio Carlos Lemgruber, is continuing to say that there is no point in acting artificially in the market to reduce interest rates now, lose control of the monetary policy, and have to face hyperinflation in the future. Lemgruber recalls that the policy being proposed led previously to a monetary explosion in Brazil that saw a jump of 38 percent in the late 1970's and resulted in the 270-percent inflation rate inherited by the current administration.

The problem is that parts of the financial market are also putting severe pressure on the monetary authority, in this case the Central Bank. And one adviser comments that if a climate of confidence is not eventually established between the government and the market, the government will finally be forced to give in to some of the pressure. The adviser recalls that in 1983, those pressures even led to enactment of the 30-percent maxidevaluation of the cruzeiro.

Experts at the Ministry of Finance give examples to prove that the current restrictive monetary policy is the correct one: in 2.5 months, the country has managed to accumulate international reserves totaling \$500 million because of the high interest rates. If the rates are lowered, many people will put their money elsewhere--in Switzerland, for example.

11798

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BRAZIL

SAYAD PROPOSES THREE MEASURES TO REDUCE INTEREST RATES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 13 Jun 85 p 32

[Text] Rio de Janeiro--Yesterday at the War College and later at a press conference, Joao Sayad, minister-chief of the Planning Secretariat of the Presidency, again defended the need for lower interest rates as the basic condition for priming investment and permitting a resumption of economic growth at a level of 6 percent in the GDP, in his estimation, over the next 3-year period.

Sayad explained that the leading firms which give the private sector its momentum have reduced their indebtedness and are in a perfect position to head up economic growth in a sustained manner, especially in the areas of exports and agriculture. But if that objective is to be attained, a drop in the interest rates is essential.

The minister-chief of the Planning Secretariat considers it desirable that the interest rate in Brazil not exceed the real rate of 6 percent on the external market plus the percentage by which the currency has been devalued. In his opinion, that would constitute a bearable level and one capable of facilitating the government's task of causing the country to grow at a rate of 6 percent annually and to maintain that rate through 1987.

How To Do it

To reduce interest rates, Sayad proposed three measures to be adopted simultaneously: 1) a reduction in the national debt, to be facilitated by the lower interest rate, which influences its growth; 2) increased tax collections, partly by increasing taxes and partly by improving the collection system; and 3) a reduction in spending by the public sector.

Sayad admitted that the government might even expand its level of borrowing to increase the monetary base somewhat and make more funds available to the private sector to maintain the economic growth that would result from lower interest rates. He expressed the conviction that it would be acceptable to expand the monetary base by about 150 percent or 180 percent--a little below the 200-percent inflation rate for this year.

The minister-chief of the Planning Secretariat feels that there is sufficient space for the economy to grow and that that space could easily be occupied by

efficient firms in the private sector--especially those in the agricultural and export sectors. In his opinion, Brazil could sustain that growth even while having to pay an annual \$12 billion in interest to its foreign creditors, although he does not rule out the possibility of obtaining a little help in the form of foreign funds.

According to Sayad, the public sector--the country's biggest debtor--and the taxpayers would be the chief beneficiaries of lower interest rates. The minister said: "The best deal today is to build up a stock of ORTN's [National Treasury Readjustable Bonds] and LTN's [National Treasury Bills] at home."

#### No Resistance

The minister-chief of the Planning Secretariat acknowledged the existence of technical problems blocking the way to lower interest rates, but he would not admit that there is resistance in the government to his idea. The matter is being discussed among the authorities, he said, and he emphasized that relations between him and Minister of Finance Francisco Dornelles are close. He commented: "So close, in fact, that I was in a meeting with him until midnight last night (Tuesday)."

Sayad also expressed concern over the current formula for monetary correction in view of the slowing trend in the rate of inflation. He feels that the formula must be retained, but that its calculation should include only the inflation index for the previous 2 months rather than the previous 3 months, as is now the case.

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19 July 1985

## BRAZIL

## FOREIGN INTEREST IN EXPANSION OF GOLD PRODUCTION CAPACITY

Frankfurt/Main FRANKFURTER ZEITUNG/BLICK DURCH DIE WIRTSCHAFT in German 29 May 85 p 2

[Text] Rio de Janeiro--Gold production in Brazil could reach new dimensions in the future as a consequence of new activity by the CPRM [Mineral Resources Prospecting Company], which is subordinate to the Ministry of Mines and Energy, in the attempt it has initiated to interest large firms--that is, well-capitalized ones--in the search for gold, even where such firms have had no experience up to now in exploring for mineral wealth. It is said that the only important consideration in the selection of these firms is a sound financial situation which will guarantee a certain volume and continuity in prospecting and in working the finds. The numerous deposits discovered up to now (above all in the Amazon region) justify--according to a report by the official gold buyer, the Central Bank--an intensification of exploitation, which could cause Brazil to rise to the position of third-largest gold producer in the world in the near future.

For example, for some time now the CPRM has been negotiating with one of the country's large supermarket chains (Casa da Banha CB) concerning prospecting rights in the Rio Madeira. The firm intends to establish a subsidiary company--the Mineracao CB--which is to have a dredging capacity of 200,000 cubic meters per month for use in washing out the gold-bearing gravel of the river bed. Initially the CPRM will provide the technical personnel for the gold washing, and after commencement of the extraction it will convey over the prospecting rights. Negotiations are still going on concerning the amount of the royalties which the CB group must pay to the CPRM for these prospecting rights, an amount which depends on the profitability of the deposit.

Furthermore, the Shell do Brasil Group and the Verolme Shipyards have joined forces to form the mining company Mineracao Rio Jatoba SA (with headquarters in Belem, State of Para). Verolme, a totally national firm, holds 51 percent of the capital stock in this company, which is to be engaged in prospecting for and working alluvial gold deposits along the Rio Jatoba. With that the Shell group, which has already risen to the position of the largest private investor in Brazil's mineral sector with its input of \$800 million so far, has now expanded its activities to gold as well.

Shell's main investments are the Alumar aluminum metallurgical works and the Mineracao Rio do Norte SA bauxite mine on the Rio Trombetas, a tributary on the left bank of the Amazon. In addition, together with Alcoa Aluminio SA (60 percent), it has formed the Mineracao Alcoa SA, in which it has a 40-percent share. This company will be working a bauxite deposit that is likewise situated in the Trombetas region. Production is scheduled to begin in 1989, with an output of 2 million tons per year anticipated.

Confab Industrial SA, a heavy-industry firm, recently announced the acquisition of 50 percent of the capital stock of Oca-Mineracao Ltda. for \$1.5 million. Thus it too is continuing its diversification in the direction of gold recovery. Oca is a mining company under family ownership with prospecting rights to an alluvial gold deposit in the State of Para. It has been seeking capital so that it can increase threefold its ore dressing, which at present runs to 20,000 cubic meters of gold-bearing material.

Moreover, the South African General Mining Union Corp. Ltd. has now definitely decided to reactivate the gold mine of Mineracao Sao Bento located in Minas Gerais. The result of the soil examinations and explorations, for which about \$16 million was spent, justifies the \$90 million estimated to be needed for capital expenditures, the president of Mineracao Sao Bento stated. He said that this sum is needed in order to improve the tunnels and modernize the mechanical equipment. From 1987 on, the dressing of 20,000 tons of ore monthly is to begin. With an average metal content of 11 grams per ton, it is said that production can be maintained for approximately 20 years before the deposit is exhausted.

At present the CPRM is making provisions on another 10 areas containing gold deposits for transfer to private hands or for partnerships with private companies. The bidding invitation has to do with prospecting areas containing alluvial gold deposits in the river valleys of the Tapajos and Madeira (both of them right-bank Amazon tributaries), whose significance as an "Eldorado" grows from year to year. The majority of the private firms which want to be involved with the CPRM in this gold recovery are construction companies. In this additional activity they see a way of employing the machinery they are not now using because of the prevailing stagnation in structural and civil engineering.

The goal of the CPRM is to form a total of 112 associations with private companies by mid-1985, mobilizing in this way about \$100 million for prospecting and gold recovery. Since the beginning of bidding invitations in December 1983, 77 concessions have already been awarded--including those from the latest invitations at the start of 1985 concerning 15 gold deposits--in each case in partnership with the CPRM. In each of these trade-investment projects the private partners must commit themselves to an investment of \$1 million or the equivalent in cruzeiros. In turn the CPRM has the obligation of bringing the infrastructure of the project to a state where mining can begin.

Under the assumption that in the course of 1985 the exploitation can commence in the majority of the projects now in the preparatory stage, the

CPRM expects a production of 10 to 15 tons of gold in the areas awarded by it in the river valleys of the Tapajos and Madeira and also in the regions of Gurupu in Maranhao, Irapetim and Serrita in Pernambuco, Gentio de Ouro in Bahia, Rio Ribeira and Padre Cubas in Sao Paulo, Itajai-Acu in Santa Catarina, and Uirapuru in Amapa. The management of the CPRM is convinced that in 3 or 4 years, in the deposits of the Itajuba region on the Rio Tapajos, for example, 60 to 70 tons of gold per year could be washed, which would thus exceed even the production of the Serra Pelada.

According to information from the management, in this region--which is about 1 million hectares in size--the CPM has already discovered 50 deposits, and of these it has cleared ten for exploitation by now. The expenditures of the CPRM since the beginning of its activity have been put at 1,497 billion cruzeiros. In a publication by the DNPM [National Department for Mineral Production], the outputs in the most important "garimpos"--as the deposits that are worked in a rudimentary manner by gold washers are called--are given as follows:

Production of Selected "Garimpos," in Kilograms

<u>Deposit</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>Total</u>
Serra Pelada	6,842	6,820	2,591	13,946	1,739	31,938
Tapajos Valley	2,983	5,922	7,667	8,000	4,744	29,316
Cumaru	--	1,537	1,584	5,000	3,627	11,748

The significance of the Serra Pelada, a region in which the geologists suspect that there are about 500 tons of gold, arises from the size of the gold nuggets unearthed from there. On 13 September 1983, a nugget was found weighing 62.3 kilograms (hitherto the second-largest in the world), following that another nugget of 62.3 kilograms was found (hitherto the second-largest in the world) [sic: lines possibly inadvertently repeated in original]), then other nuggets weighing 42.7 and 36.1 kilograms. In addition a gold prospector found at a single site nine gold nuggets which together weighed 118.8 kilograms. The two largest weighed 39.5 and 38.1 kilograms.

Up to now there has not been any detailed information on the Brazilian gold recovery. With the exception of 1978, it ranged between 4,500 and 5,800 kilograms per year up to 1979 (1978 = 9,339 kilograms). Production has risen considerably only in the last 5 years, reaching 60,854 kilograms in 1984. These numbers come from the Federal Savings Bank, which buys up the gold on behalf of the Central Bank. But because it has a presence only in the larger "garimpos," it itself concedes that quite a lot of the gold that is washed in the remote find sites is still disappearing into "unofficial channels."

Recently it was stated by the DNPM that of the total quantity of gold extracted in 1984, evidently only about 50 percent was tendered to the official primary buyers. It said that compared to the previous year, in



which the "leakage" was about 30 percent, this signifies a pronounced change for the worse. In his statements, the representative of the DNPM gives a basis for the fact that last year production rose only by 7,000 kilograms compared to 1983, although in the Tapajos Valley the number of "garimpos" distinctly increased. In the Serra Pelada, the best-supervised gold deposit in the country, he estimated that the amount officially delivered over was about 80 percent of the actual output. He said that the gold panners did not sell all of their gold to the Federal Savings Bank because they wanted to save on income taxes; a portion of their findings goes to various middlemen.

It was said that it is hard to foresee how much gold production can be expected for the current year, because the severe drop in the official gold price is not being offset either by the unofficial market rate of the dollar or by inflation, and therefore the interest of the "garimeiros" in gold prospecting has declined (less so that of the companies which are engaged in working the deposits with machinery).

The former minister of mining and energy, Cesar Cals, is even more skeptical. He assumes that in 1984 as much as 200 tons of gold were recovered--that is, not even quite a third passed into the official channels. What was at work here, he said, was not so much tax considerations as it was instead the fact that the Federal Savings Bank occasionally has not had enough funds available for buying the gold tendered to it, and so the gold panners were compelled to some degree to offer their output to other buyers.

12114

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BRAZIL

DISCOVERY OF NEW GAS DEPOSIT MAY DOUBLE RESERVES

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 8 Jun 85 p 28

[Text] Rio de Janeiro--Natural gas reserves in Bahia, which currently total 8 billion cubic meters, will probably double as a result of discovery by PETROBRAS of a deposit in the Miranga Profundo field on the Bahia coastal plain. This opens up new prospects for supplying the Camacari petrochemical complex and guaranteeing gas supplies for industry in that state.

The discovery resulted from reinterpretation of data from the Miranga oil field at depths below those where the petroleum reservoirs are located. Miranga is a deposit that was discovered in 1965, and 365 wells have been drilled there to date. Their production is currently declining. In 1967, in one of the wells in the field known as Miranga Profundo No 1, PETROBRAS experts detected the presence of hydrocarbons (petroleum and/or natural gas) at a depth of 4,230 meters. Tests at the time showed that the deposits were not productive.

But reinterpretation of the data that had been collected and closer familiarity with the geological characteristics of the Bahia coastal plain led to further drilling in the Miranga-324 well, the objective being to test the new geological model prepared by PETROBRAS experts. In that well, PETROBRAS found gas not associated with petroleum, meaning that the reservoir consists solely of natural gas.

More Production

So far, PETROBRAS has drilled three gas wells in the Miranga Profundo well, with production being achieved at a depth of 3,100 meters. By April, one of them had produced 14.6 million cubic meters at an average daily production of 100,000 cubic meters. Another three are being drilled, and the firm's Development Department has now approved the drilling of four more.

Experts estimate the recoverable volume of nonassociated gas in the Miranga Profundo field at 6.5 billion cubic meters. This will increase gas production from that deposit by 1 million cubic meters per day. Current reserves of non-associated gas in Bahia total 8 billion cubic meters, and production totals 2.4 million cubic meters per day.

11798

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BRAZIL

JOINT NAVAL MANEUVERS WITH NIGERIA, ARMS EXPORTS

Bilateral Military Cooperation

Sao Paulo FOLHA DE SAO PAULO in Portuguese 15 May 85 p 7

[Text] Brasilia--The governments of Brazil and Nigeria decided to carry out bilateral military cooperation and, with that in mind, are likely to conduct joint naval maneuvers later this year involving the navies of the two countries. The military cooperation, according to Itamaraty [Foreign Affairs Ministry], will extend to training of Nigerian officers and sailors by the Navy of Brazil and also training of Nigerian military pilots by the FAB [Brazilian Air Force]. Within cooperation in aviation, Brazil is to sell 50 aircraft of the Tucano type to Nigeria for training that country's pilots.

The decisions of mutual understanding in the military area were made at the end of the meeting of the Joint Brazil/Nigeria Commission yesterday in Itamaraty. Furnishing weapons for the Nigerian Army was excluded because the negotiations on this subject were not considered to be concluded.

Oil

The meeting of the Joint Commission was presided over by Foreign Affairs Minister Olavo Setubal and the planning minister of Nigeria, Michael S. Adigun. Also under discussion were increased supplies of petroleum from that country for Brazil (Petrobras is currently importing 146,000 barrels of Nigerian petroleum daily) and supplying of Brazilian food-industry and agricultural products to Nigeria..

Discussions about trade relations also included financing arrangements for purchasing Brazilian products. It was decided that Petrobras will pay cash for the oil it buys from Nigeria, but the money will be deposited in a special account in New York, from which withdrawals can be made only to pay for goods purchased in the Brazilian market.

Arms Exports

Sao Paulo FOLHA DE SAO PAULO in Portuguese 14 May 85 p 15

[Text] Brasilia--In Itamaraty Palace yesterday, Brazil and Nigeria began discussions about the possibility of Brazilian arms exports to the Nigerian market,

especially the Tucano training aircraft made by EMBRAER [Brazilian Aeronautics Company] and the Cascavel and Urutu armored vehicles made by ENGESA [Specialized Engineers, Inc.].

This transaction is being discussed by the Brazil/Nigeria Joint Commission, under the presidency of the Brazilian foreign affairs minister, Olavo Setubal, and the Nigerian planning minister, Michael S. Adigun, who was received yesterday in an audience by President Jose Sarney.

Nigeria is Brazil's leading trade partner in Africa. In 1985 [as published; 1984?] their bilateral trade reached \$1.6 billion (with a \$300 million surplus in favor of Nigeria) and prospects for 1985 are for reaching trade of \$2 billion, which would place Nigeria among Brazil's four principal foreign-trade partners.

The Joint Commission will also study the possibility of expanding sales of Nigerian oil to Petrobras, which reached 100,000 barrels daily in 1984.

8834

CSO: 3342/190

BRAZIL

PROSPECTS FOR INCREASED NIOBIUM EXPORTS DISCUSSED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 6 Jun 85 p 26

[Text] The prospect of a change in the profile of world steel production means that Brazil may increase its share of ferroalloy exports by increasing its exports of ferroniobium by 5 or 6 percent annually. That is the prediction by Julio Cesar Gaertner, sales manager at the Brazilian Mining and Metallurgy Company (CBMM). According to Gaertner, Brazil is currently the world's largest producer of niobium. Its reserves exceed 30 million tons, or enough to supply steel mills for about 500 years at the present rate of consumption. He adds, however, that the fact that Brazil has 97 percent of the known niobium reserves constitutes an obstacle to expansion of the market.

Steel firms--chiefly those that produce steel using advanced technology, an example being the suppliers of material for the manufacture of aircraft turbines--are afraid of becoming dependent on a single source of supply, says Gaertner. In addition, niobium faces competition from other ferroalloying elements such as titanium, molybdenum, and vanadium (the latter, produced on a large scale in the United States, also exists in quantity in China).

Despite those two disadvantages, the CBMM has succeeded in improving its performance and expects about \$95 million worth of exports this year, with sales rising to 9,000 tons, compared to 8,000 tons in 1984.

That performance, Gaertner adds, is the result of a policy developed by the company and aimed at exports, chiefly to the United States. The CBMM's sales manager says that about 96 percent of the firm's production goes to the foreign market, with the result that the CBMM was designed to ensure guaranteed supplies for importers: its installed capacity is 22,000 tons of ferroniobium annually. To guarantee that figure, the CBMM is investing about \$10 million during the 1985-1987 biennium in three projects for the modernization of production.

Moreover, says Gaertner, the firm has been investing about 1.5 or 2 percent of its revenues in R&D for new steel manufacturing technologies and the use of niobium--ranging from the production of high strength low alloy steels to special high-tech steels. That kind of work enables the CBMM to increase its penetration of the foreign market, where it is more difficult to break the tradition of using other ferroalloy materials.

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BRAZIL

CZECH INTEREST IN INCREASED TRADE RELATIONS

Brasilia CORREIO BRAZILIENSE in Portuguese 30 May 85 p 10

[Text] "Czechoslovakia is interested in reviving trade with Brazil," the press aide of the Czechoslovakia embassy, Jindrich Opava, asserted yesterday shortly after Itamarati [Foreign Affairs Ministry] had announced the official visit the Czechoslovak foreign trade minister, Bohumil Urban, will make to this country beginning on 1 July. Besides Brasilia, the Czech minister will visit Manaus and Recife, to hold meetings at the cement plants of the Joao Santos Group, built with equipment furnished by Czechoslovakia.

At least seven cabinet ministers--the ministers of finance, mines and energy, science and technology, interior, industry and commerce, planning and foreign affairs--will meet with Minister Urban in Brasilia. This list gives the impression that the New Republic, in theory, is ready to examine all possibilities that are open for the relationship with Czechoslovakia, although the Brazilian Government has not expressed itself in regard to the offer of the Czechs to participate in the Carajas project.

Concern

Bohumil Urban is the first foreign-trade minister of a socialist European country to come and transmit to the new authorities his government's concern about the reduction of bilateral trade and the persistent surplus obtained by Brazil in the trade balance. Despite Brazil's effort in recent years to increase trade with East Europe, the results have not been very encouraging.

Brazilian exports to East Europe last year were \$1.358 billion, while imports were limited to \$420 million. With Czechoslovakia, Brazil had a surplus of about \$70 million in 1984, when it exported \$81,779,000, less than in 1983, when exports were \$136,905,000.

The press aide of the embassy of Czechoslovakia, Jundrich Opava, said that the main objective of the foreign-trade minister's visit is to increase trade with Brazil, if possible, to the same levels as 1981, when it reached \$240 million. Brazil's major export is iron ore, followed by soybeans and coffee. The sale of iron ore is governed by a contract in which Brazil will furnish 14 million tons to Czechoslovakia through 1990.

Czechoslovakia would like to participate in the Carajas Project, furnishing machinery and equipment to Brazil, and is waiting for a reply from the Brazilian Government in regard to this, the Czech diplomat reported. "We can also offer Brazil many things in the area of technology," he emphasized, "including irrigation equipment." An Itamarati source reported that meetings have already been initiated for establishing cooperation in the field of agricultural technology, involving EMBRAPA [Brazilian Agriculture and Livestock Research Enterprise].

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BRAZIL

FUNDING SOUGHT TO PREVENT SPREAD OF CITRUS CANCER

Foreign Sales Jeopardized

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Jun 85 p 31

[Text] Today, along with the secretary of agriculture, Nelson Mancini Nicolau, the leaders of the Sao Paulo citrus growers will meet with Governor Franco Montoro, whom they will request to intervene with the federal government, through the Secretariat of Planning, for the release of 23 billion cruzeiros allocated to combat citrus canker. The report is from Mancini himself, who was at the Lime Experimental Station in Cordeiropolis on Monday, on the occasion of the opening of Citrus Cultivation Week. He promised to lend full support to the campaign, "owing to the importance of citrus growing in Sao Paulo, currently one of the few productive sectors experiencing less anxious times than the others."

According to the chairman of the Sao Paulo Citrus Growers Association (ASSOCITROS), Nelson Marqueselli, the producers' situation is serious; because at present, whenever a focus of the disease appears, the teams from the Secretariat of Agriculture and Fundecitros (responsible for combating the canker) do not arrive on the site until about 30 days have elapsed, damaging sales to the United States, "which does not purchase concentrated orange juice from countries which fail to provide for the combating of citrus canker."

Upsets

Moreover, the chairman of the Brazilian Citrus Fruit Association (ABRASUCOS), Hans George Krauss, issued a warning about the possible negative consequences of the euphoria caused by the new frosts occurring in the U.S. at the beginning of the year, which "could soon thwart this year's expectations and bring about unforeseeable upsets for the years to come." He claimed that the frosts which recently affected Florida did not have the dimensions boasted by the production sectors and said that the high prices in effect on the market have been causing negative effects because, combined with the tax burden and the frequent devaluations of the European currencies with respect to the dollar, they will prompt the European Common Market countries to reduce their purchases of Brazilian juice.

The chairman of ABRASUCOS notes that the U.S. domestic consumption is tending to stabilize, because only at the end of 1984 did the American public begin

consuming the juice purchased by the importers, at \$1,800 per ton. Based upon his reasoning, this fact (together with the factors which could affect the exports to the EEC and to the U.S., in volume) leads one to believe that the stocks held by the importing firms at the beginning of this year are the largest in recent years, "perhaps the largest in our entire history, for which reason a decline in Brazilian exports is virtually assured."

#### Sao Paulo Producers Complain

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jun 85 p 20

[Text] The national citrus growing industry will be jeopardized if the federal government does not release 27.6 billion cruzeiros this year for the campaign to combat the canker in the states of Sao Paulo, Parana, Rio Grande do Sul, Mato Grosso do Sul and Mato Grosso. The canker is a disease caused by bacteria which attack leaves, fruit and shoots of orange trees, making the plant useless. In 1984, the country accrued \$1.6 billion from orange juice exports, becoming the largest world supplier of the product.

In Sao Paulo, there are 18,000 orange producers and 16 juice industries which offer 150,000 direct jobs and 650,000 indirect ones, according to the Sao Paulo Citrus Growing Protection Foundation (Fundecitrus). Of the 29.9 billion cruzeiros stipulated for 1985 as funds for the National Campaign to Eradicate Citrus Canker (Canece), the Ministry of Agriculture has actually made only 2.27 billion cruzeiros available.

This week, Domingos Fasanella, president of Fundecitrus, sent the minister of planning, Joao Sayad, a document expressing his concern over the constant "elimination of the funds necessary for conserving the Brazilian citrus supply." He said that the citrus agroindustry ranks third in the category of national exports, outranked only by the soybean and coffee complexes.

In the case of Sao Paulo, which is the largest producer, Fasanella said that, this year, the Ministry of Agriculture released only 900 million cruzeiros, with a 90 percent reduction. The total funds for combating the canker have been integrated by the Sao Paulo Secretariat of Agriculture and Fundecitrus, which manages a private fund resulting from contributions from producers and manufacturers.

Federal Deputy Ruy Codo (PMDB [Brazilian Democratic Movement Party]-SP) also put his appeal to Minister Sayad in these terms: "I urge Your Excellency to heed the appeals from Fundecitrus, which combines the interests of all the juice producers and manufacturers, by providing the funds as quickly as possible." The minister promised to study the matter promptly.

Citrus canker was reported for the first time in 1957, in the municipality of Presidente Prudente (SP). It is the leading damaging citrus pest, owing to the harmful results that its attack on the plants causes. After the plant has been contaminated there is no means for chemically combating it. There are restrictions on imports of fruit in the natural state imposed by most countries. The canker has decimated fruit orchards in Paraguay and Japan, which neglected to prevent the disease, according to Fundecitrus.

2909

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BRAZIL

OPPOSITION TO INCLUSION OF SERVICES ON GATT AGENDA VIEWED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 7 Jun 85 p 19

[Text] Brazil is not opposed to any proposal for actual easing of restrictions on commerce, but it is of the opinion that, before another round of GATT [General Agreement on Tariffs and Trade], the developed countries should meet the commitments that they assumed at the entity's ministerial meeting in 1982, and maintain strong opposition to the inclusion of services and investments in the GATT scope. This is Itamaraty's position regarding the atmosphere of increasing pressure on the part of the developed countries, headed by the United States, with backing from Japan and Germany, for a new round, the main purpose of which would be to include the services sector as coming within the jurisdiction of the organ which sets commercial standards.

As the businessman Laerte Setubal, chairman of the Association of Brazilian Exporters (AEB), and member of the Brazilian-U.S. Business Council, pointed out, it is the United States' intention to subject to GATT's jurisdiction a regulation of services determining sales, purchases and prices, among other factors, based on "access to the market." Interpreted as services are transportation and insurance, communications (including software), and financial and consulting services in areas such as engineering and accounting.

A discussion of the software trade in GATT was upheld last week by the commercial attache representing the United States, Ambassador Michael Smith, in a closed circuit television interview with Sao Paulo journalists. The ambassador claimed that the United States is insisting on that discussion because it considers the software trade as important as that of shoes or any other product, and said that he hoped Brazil "would assume more positive positions" concerning another round of GATT talks. Smith emphasized that Brazil has "special problems" in its trade with the U.S., such as computers and copyrights.

Pressure

In an address in Rio de Janeiro this week, Foreign Minister Olavo Setubal admitted that the government has been receiving pressure for another round of negotiations, and noted that the United States is considering the possibility of leaving the multilateral exchange system and heading toward a policy of bilateral agreements "with those partners that it considers closer to its own method of acting."



According to Setubal, the outcome of this issue represents an extremely important challenge for Brazilian foreign policy, inasmuch as the country is undergoing an as yet intermediate phase of industrialization, wherein it needs to ensure conditions for expansion and full maturity of the growth cycle that it is experiencing.

The foreign minister regarded it as "natural" that the developed countries should have different interests conflicting with those of the developing nations, because they are in a post-industrialization phase based on services and the production of high technology goods. The developing countries, on the other hand, want to protect their sectors which are not yet equipped to cope with the industrialized countries' production under free competition conditions.

The Brazilian position is that, rather than another round of commercial negotiations in Geneva, the developed countries should meet certain pre-conditions, such as keeping the commitments formally assumed at the GATT meeting of November 1982, which include the non-adoption of new trade barriers. Setubal also thinks that those countries should acknowledge the need for different and more favorable treatment for the developing nations in the commercial area.

#### SELA

Foreign Minister Olavo Setubal's statement on the issue is in keeping with the position adopted at the latest meeting of the Latin American Economic System, (SELA), held during October in Venezuela. The final document from the meeting (which was attended by representatives from 18 countries and five international entities) concluded that the GATT scope is limited to commercial standards, and that it has no authority to include the services area.

The document also upheld a joint position of the developing countries for rejecting the tendency toward bilateral agreements on the part of certain developed countries and for intensifying their individual or group negotiating capacity. The participants warned that bilateral agreements on service transactions could weaken the position of the developing countries and force concessions.

The AEB chairman, Laerte Setubal, cited the difficulty in discussing a matter such as services in an international environment, "because the definitions are intrinsically linked with each country's economy and culture." And he stressed that, although the services sector does not have for Brazil the weight as an economic factor that it has for the United States, its importance has been growing. In the U.S., seven out of every 10 employees are in the services sector, which generates over 60 percent of the GDP and accounts for 30 percent of the country's export revenue. In Brazil, the statistics are lower, but the services sector has had an expansion of over 7 percent during the past decade, accounting for under 10 percent of the GDP.

## Data Processing

The meeting of the Brazilian and American delegations to GATT on 13-14 June may, in fact, represent a first contact, on the GATT level, concerning the services trade. According to businessmen associated with the data processing sector, the United States' main purpose in requesting an amicable talk with Brazil is to sound out the country's intentions with regard to software, inasmuch as the market reserves of hardware have "already been assimilated."

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BRAZIL

#### NAVY APPROVES PRODUCTION OF FIRST SURFACE-SURFACE MISSILE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 11 Jun 85 p 6

[Excerpt] The naval staff, under the leadership of the minister of Navy, Adm Henrique Saboia, approved the plan for the production of the first Brazilian missile for naval use ; surface to surface, employing native technology. This information was released yesterday on an exclusive basis to O ESTADO DE SAO PAULO and JORNAL DA TARDE by the Navy. The project will be coordinated by the Naval Research Institute (IPQM), located in Rio de Janeiro.

As was observed by the Brazilian naval staff and the minister of Navy, the plan for the surface-surface missile is quite viable, in view of the actual technological development already achieved by the Navy.

There were three options which were studied in recent years. The first was to purchase the missile abroad; the second, to turn the project over to a native business firm; and the third was to form an association with a foreign firm.

The options taken by the Navy were: first, to purchase the French "Exocet" missile for the first corvettes in the Naval Reequipping Plan; second, to adopt a national project which would assuredly afford the prospect of guaranteeing Brazil's self-sufficiency in the production of one of the most sophisticated and critical modern weapons, the missile, for which the country could not continue to be dependent, at the risk of its capacity to defend its sovereignty being constantly reduced.

This decision was made jointly by the naval staff and Minister Henrique Saboia, after an intensive study which indicated the total viability of the project, both from a technological standpoint and a financial one (it will make it possible to substitute for imports and expand the sophisticated weapons market for Brazil), as well as in the industrial realm.

#### Three Submarines

Another decision made by the naval staff, and announced yesterday exclusively to O ESTADO and JORNAL DA TARDE, was that regarding the construction of three submarines at the Rio de Janeiro Naval Arsenal similar to the one under construction in the Federal Republic of Germany. The technological, industrial and financial viability of the project has also been confirmed and, in its

first phase, it will allow for the restructuring of the Naval Arsenal which, in the course of the study, showed the capacity for executing it. The reopening of the competitive bidding for the construction of two corvettes in civilian shipyards has also been confirmed.

2909

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BRAZIL

MILITARY PERCEPTIONS OF DARK CLOUDS IN FUTURE REFUTED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 12 Jun 85 p 4

[Text] Brasilia--"We are in a process of political adjustment--a process of evolution and swift democratic opening up. No situation of chaos is taking shape in the country." That observation was made yesterday by two military ministers: Adm Henrique Saboia, minister of navy, and General Moreira Lima, minister of air. They were refuting rumors that leaders in the old republic, among them former President Ernesto Geisel, were seeing dark clouds in the country's political future.

"There is nothing like that. The country is quiet. Armed intervention for what?" was the amazed comment by Minister Henrique Saboia, who also made it clear that he was making those observations on the national situation contrary to his custom and intention. The minister was also terse concerning the government's announced agrarian reform, a controversial topic: "I feel that there is a lot of misunderstanding surrounding the plan for agrarian reform."

Minister Moreira Lima went further concerning the situation in the country: "That prediction reflects a natural concern on the part of someone who has held a major responsibility in the country. But we are not worried."

Admiral Saboia agreed in these words: "Brazil is experiencing economic and social difficulties that are being tackled to the extent possible. But there is no chaos. I feel that the New Republic is going well."

At his press conference, Minister Saboia talked primarily about matters related to the Ministry of Navy, but he also expressed his opinion concerning reports of a reorganization of movements on the right. He said: "Aren't we in a democracy? Isn't the Left also talking? So there is no problem if the Right is talking. After all, the essence of the democratic spirit is that everyone should express himself."

Like his colleague in the army, the minister of navy will pay a courtesy visit to the speaker of the Chamber of Deputies and the president of the Senate on the 20th. On 26 June, he will again be at the Chamber of Deputies to attend a meeting by the Foreign Affairs Committee, where he will defend the navy's stand on reducing the extent of our territorial waters from 200 to 12 miles, with a 188-mile economic zone. He feels that another item in the Convention on the



Law of the Sea--exploitation of the various metals contained in nodules on the 350-mile continental shelf--is not a controversial question.

Adm Henrique Saboia reaffirmed the spirit of the meeting held at Planalto Palace a week ago by all the military ministers: "Our only purpose was to discuss the inclusion of Armed Forces development in the Fourth PND (National Development Plan). We recognize that the country's pressing problems are socioeconomic, but the Armed Forces must be taken into account in the PND. After all, the country's security must necessarily be considered."

In that context, Admiral Saboia expressed his concern over the cuts in the navy's budget, but said that despite the difficulties, no essential elements of the service would be affected: "The priorities are the naval forces, the ships, and the men--everything required for the operational readiness and maintenance of the service and its resources in ships and men."

He concluded by saying: "Our duty is to do everything we can with the resources that the nation can place at our disposal. The difficulties do not relieve us of the responsibilities that are ours, and when we cannot do everything we must, then we must do everything we can"--a quotation from Admiral Frontin.

Although emphasizing that the navy has been conducting itself in the most professional and efficient manner possible with the means at its disposal, Minister Henrique Saboia lamented: "The navy is not equal to its tasks, considering the interests of a nation the size of ours."

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19 July 1985

## BRIEFS

ELECTRIC CONSUMPTION UP--The consumption of electric power increased 16.2 percent during April, in comparison with the same month in 1984; while for the 12-month period ending in April, the expansion of the consumption totaled 12.1 percent, as ELETROBRAS [Brazilian Electric Power Companies, Inc] reported yesterday. Since the system for generating and distributing electric power cannot grow at the same speed, the president of ELETROBRAS, Mario Bhering, predicts crises in the supply of electric power to the large urban centers, and for prolonged periods of time. During the 12-month period ending this April, the industrial consumption (which accounts for 55.1 percent of the market) increased 18.4 percent, influenced by the rise in the use of electro-thermal processes, consisting of the use of electric power instead of petroleum derivatives by industries; something which took place primarily in Sao Paulo. During the past 12 months, the residential and commercial consumption, representing 20.4 and 11.6 percent of the market, respectively, showed cumulative increments of 3.8 and 4.1 percent. In April, the residential consumption increased 13.1 percent, while the commercial consumption rose 11.2 percent. The largest increase in the market occurred in the Northeast region, with 16 percent during the past 12 months, whereas the least expansion took place in the Northern region, with 6.6 percent. In the area accounting for 70 percent of the market and served by Furnas, where the country's largest industrial facilities are located (the Southern and Southeastern regions), electric power consumption rose 11.7 percent during the past 12 months. In the Chesf (Sao Francisco Hydroelectric Powerplants) area, which accounts for 13.2 percent of the market, the electric power consumption increased 10.3 percent. In the Eletronorte [Northern Electric Powerplants] area, the expansion in consumption amounted to 39.7 percent, and it rose 11 percent in the Eletrosul [Southern Electric Powerplants] area. [Text] [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 11 Jun 85 p 34] 2909

FIBER OPTICS FOR TEST SITE--The Marambaia proving grounds in Rio de Janeiro, used by the army for testing missiles, now has fiber optics made by the cable division of Pirelli's Brazilian firm. The optical fibers replace the conventional copper cables in systems for telecommunications, data transmission and signaling. For the Marambaia proving grounds, Pirelli has furnished 300 meters of fiber-optics cable that connect the radar with the field's control center. Made with a special glass, the optical fiber--a filament a little thicker than a strand of hair--has several advantages when compared with copper cable. Among the advantages are the small size, high transmission capacity, immunity to interference and abundance of the raw material used in its manufacture (quartz). In the case of Marambaia, the optical fibers, unlike conventional cables, are not attacked by salt. [Text] [Rio de Janeiro O GLOBO in Portuguese 20 May 85 p 15] 8834

CUBA

LEON TORRAS ON TRADE WITH WEST, NATION'S CREDITWORTHINESS

Havana GRANMA in Spanish 20 May 85 p 6

/Article by Francisco Forteza/

/Excerpt/ London, 18 May, (PRENSA LATINA)--Cuba has consistently reduced a portion of the foreign debt service that it has been renegotiating and is seeking to expedite, as much as possible, the full normalization of its financial relations with market economy countries.

In an interview granted to PRENSA LATINA, the minister president of the National Bank of Cuba (BNC), Raul Leon Torras, said that the agreements are being reached despite the extremely adverse circumstances surrounding his country's relations with this market.

Leon Torras underscored the fact that Cuba's position of reducing a portion of the foreign debt service is a result of measures that have been taken and the nature of Cuban trade with the socialist countries, particularly with the Soviet Union where trade on unequal terms is not present.

The minister said that in 1983, Cuba refinanced 53 percent of the service, in 1984, 40 percent and in 1985, it expects to refinance 29 percent.

Leon Torras said that his visit to the United Kingdom was in connection with a Cuban proposal aimed at increasing trade with market economy countries which are Cuba's creditors.

The proposal seeks to establish linkage with the process of debt renegotiation in order to expedite as much as possible, the aforesaid normalization of financial relations.

To this end, he said, an exchange of views is taking place in London with officials of the Foreign Office, the British Commonwealth and the Bank of England, as well as with some of the principal banks doing business with the BNC.

Leon Torras pointed out that banking circles have accorded him a favorable reception. He said that he had voiced his acknowledgement to the British Government and to the banks, regarding the constructive posture they have always taken on the problem of the Cuban debt refinancing.

The official said that he had received statements in recognition of Cuba's conduct as a serious country that honors its international financial commitments.

The BNC minister president confirmed the fact that the topic of the Latin American debt was discussed during his talks. He said that it was "of great interest to all because of the very serious nature of the problem."

Leon Torras said that while his country finds it feasible to deal with the debt problem, it is impossible for Latin America to deal with its own. What is needed, he said, just as President Fidel Castro has recently stated, is a quest for new formulas.

12674

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CUBA

'DIFFERENT VIEWS' MARK SEMINAR WITH FRG ON WEST EUROPE

Havana GRANMA in Spanish 17 May 85 p 3

/Article by Nidia Diaz/

/Text/ After 3 days of intensive sessions, the West Europe International Seminar on Social and Economic Changes closed yesterday at the Convention Palace. The event was sponsored by the Center of Studies on West Europe, on coordination with the Friedrich Ebert Foundation.

Climaxing the event was a roundtable discussion in which both sides agreed on the need to maintain peace and reduce military expenditures in order to deal with development problems. During the discussion, the Cuban side aired its views regarding the most pressing problems in the world, particularly the foreign debt. The West German professors also presented their viewpoints on the subject, which, logically, were based on their political positions and their perceptions of the issues.

Participating in the discussion on the Cuban side were Ricardo Alarcon, vice foreign minister; Carlos Martinez Salsamendi, adviser to Carlos Rafael Rodriguez; Ernesto Escobar, deputy chief of the General Department of Foreign Affairs of the party Central Committee and the heads of the centers of study on West Europe, America and the world economy.

Figuring among the 10 delegates representing the Federal Republic of Germany at the event were, Hans Matthofer, member of the Federal Parliament and minister for research and technology, and finance, during the period 1974-1982; Hans-Ulrich Klose, mayor of the federal state of Hamburg and also a member of the Federal Parliament and Gerd Thiebach, and economist and member of the secretariat of the so-called Brandt Commission.

The delegates divided their agenda into three thematic groupings: the crisis of the anticrisis, political and economic strategies in West Europe continuity and changes in party democracy in West Europe and West European cooperation with the Third World.

Papers were also read on France, the United Kingdom, Spain and the Federal Republic of Germany, as well as on the problems of the foreign debt and the world economic crisis. The latter paper became the topic of the greatest discussion because of the differences of perception by both sides.



Attending as delegates were prestigious economists, journalists, professors, researchers and political analysts from West Germany and Cuba.

Closing the event, Domingo Garcia, director of the Center of Studies on West Europe, expressed his appreciation to those present. He said that their presence attested to the possibility of cooperation between scientific institutions of countries with different economic and social systems.

At the conclusion of the event, the West German delegation held a press conference.

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CUBA

# OIL USE IN SUGAR REFINERIES EXCEEDING ESTIMATES

Havana GRANMA in Spanish 9 May 85 p 6

/Article by Juan Varela Perez/

/Text/ At first it was thought that the current harvest would see a marked reduction in the quantity of oil used in the refinery of sugar. Time and circumstances, however, have proved the reverse.

Instead of using a little less than 41 gallons of oil per ton of the finished product by the end of April, 53 gallons were actually used.

Among the worst off of the sugar refineries are the Manuel Martinez Prieto, Argentina and Frank Pais. Also using excessive quantities of oil are the Jose Marti, Abraham Lincoln, Quintin Banderas, Espana Republicana and Ecuador refineries.

Few of the refineries have escaped the onus of high consumption. The best example is the Chiquitico Fabregat plant in Villa Clara. For several harvests now its refinery has used bagasse instead of petroleum as its fuel.

A good energy balance, an optimum use of energy resources, and a high operational efficiency, have assured a continuing economic accomplishment.

In this respect, the Ramon Ponciano sugar refinery in Sancti Spiritus has earned points to its credit. Although it has experienced difficulties in other areas--its production is inefficient and it is getting poor results--it must be said in this regard that oil has not been used in the production of refined sugar.

During the same period in the last harvest, national petroleum consumption for the production of refined sugar was lower: 11.5 gallons less per ton.

This negative index has worsened in the last 10 weeks. Although it has not yet reached a gallon per ton, it must be watched more closely because a dangerously rising trend is apparent.

So far, three units have met their goals: the Chiquitico Fabregat, the Ramon Ponciano, and the Camilo Cienfuegos. Slightly inferior performance was noted at the Jose Antonio Echeverria and the George Washington plants.

Workers and managers of some of the most excessive oil consumers think that low production figures and a shortage of bagasse, together with operational deficiencies, figure among the causes of the drop in this indicator.

This was the opinion at the Ecuador sugar refinery in Ciego de Avila. This reporter went there and asked: If you have attained a high performance rating with respect to the refined sugar that you deliver daily (average tonnage), why is it that your oil consumption is above normal?

They replied: We do not want to make excuses nor to evade any other responsibilities, but there is an essential reason: the bagasse that was promised to us by neighboring enterprises was not received in the quantities that had been planned. They then showed me the figures confirming what their technicians had said: if the Ecuador plant had received sufficient bagasse, it would have figured today among the plants that had used the least oil.

We have already reported on the Abraham Lincoln and the Manuel Martinez Prieto plants. When the harvest began, they proclaimed and announced that this problem had been resolved, but this has not been the case.

The Lincoln sugar refinery has recovered well from a bad start. Although it was expected to consume 60 gallons per ton of refined sugar, it is actually using an average 72.9 gallons per ton. In 1984, during the same period, it was consuming oil at the rate of more than 94 gallons per ton.

A so-called "bottleneck" in the industrial phase--an excessive and difficult-to-control production of molasses--brought on a long study of the abnormal situation at the mill and the application of urgent measures which helped partially to achieve the current improvement. It is obvious that everything has not been resolved and that some time must still pass before we can be sure.

The situation at the Manuel Martinez Prieto is well known. Far from improving, the situation has been worsening. During the last harvest it used 82 gallons per ton and in the current harvest it is using 94 plus gallons per ton. It was expected to use 60 gallons per ton.

The program aimed at improving the technical performance of our sugar refineries must be expanded to the extent that our resources permit and priority should be given in the funds allocated to those plants seeking prompt assistance and modernization of their equipment.

Not a single gallon of oil has been used to produce raw sugar. That battle has been won definitely. We must not retreat in this one.

12674

CSO: 3248/416

CUBA

ABSENTEEISM, LAX MANAGEMENT, WASTING TIME ON JOB DISCUSSED

Havana TRABAJADORES in Spanish 26, 27 Mar 85

[26 Mar 85 p 5]

[Text] In this introductory report to the 50th meeting of the National Council of the CTC [Central Organization of Cuban Trade Union], Comrade Roberto Veiga, secretary-general of the CTC and alternate member of the Political Bureau of the Cuban Communist Party, commented on the special inspection of labor discipline and utilization of the workday, which was conducted in more than 300 work sites throughout the country, at both the national and local levels, particularly in the administrative sectors.

The Territorial Delegation for Labor Inspection, which covers Havana and the City of Havana Provinces and the special Isle of Youth Municipality, gave us the results of the inspection conducted on 16, 17 and 26 January 1985 (Wednesday, Thursday and Saturday, a workday).

As was to be expected, with the reading of this report, the deficiencies encountered were to prompt an intensive effort to correct them, as they are causing direct damage to discipline and the economy.

The inspection was divided into two phases: 16 and 17 January and Saturday, 26 January, on which date the work-site behavior of the units visited on Wednesday, 16 January, was studied.

Because of its representativeness, we have selected the findings for the City of Havana to illustrate the less-than-commendable situation our comrade inspectors encountered during their visits.

Figures Show How Production Quotas and Discipline Are Handled at Some Work Sites.

The inspection was conducted in four work sites of the Ministry of the Food Industry; three in MINAGRI [Ministry of Agriculture], MICONS [Ministry of Construction], Fishing Industry, INSAC [National Institute of Automated Systems and Computer Technology], INDER [National Institute of Sports, Physical Education and Recreation] and SIME [Ministry of the Steelworking Industry]; in two selected work sites in INTUR [National Institute of Tourism], MINBAS

[Ministry of Basic Industries], CEATM [State Committee for Material and Technical Supply], Ministry of Culture, CECE [State Committee for Economic Cooperation] and MINTRANS [Ministry of Transportation]; and in one work site in each of the following entities: National Bank of Cuba, ICRT [Cuban Institute of Radio and Television] and Ministries of Light Industry, Public Health, Communications, Foreign Relations and Higher Education. Twelve entities in the People's Government were also visited, making a total of 53 work sites in City of Havana Province.

In these 53 work sites, there was a total complement of 9,883 workers of whom 379, that is 3.8 percent, were late in getting to work.

Some 2,166 workers were absent, that is 18 percent of those who were supposed to be at work. The absences of 1,879 were justified (18 percent), with only 136 unjustified (6.2 percent). This indicates the existing lack of control. The situation of 168 workers (7.8 percent) is unknown.

Add to this 401 workers whose supervisors stated that they were working or meeting outside the work site, we have a total of 2,567 workers (21.3 percent of the total) who were not at their work sites at the time of the inspection.

As regards attendance at the work site, 9.5 percent (1,145 persons) are not controlled, as they belong to the supervisory occupational category.

We should explain that the inspection was conducted in the form of a sampling, with visits to a total of 310 different work sites, of which 64 (20.6 percent) were without a supervisor.

In the work sites visited, 77 percent of the workers were doing their jobs while the rest were at their work stations but were doing things not related to their jobs, such as reading magazines, books and newspapers; discussing problems unrelated to their work; eating lunch at unscheduled times; goofing-off or dozing at their desks.

As Veiga put it in the report, there is an obvious deterioration in labor discipline, brought on by lack of control, the absence of production quotas and failure to apply existing wage legislation and regulations, points which were brought out in the Report [Activo] on Economic Efficiency in the Budget Activity which was prepared last year.

[27 Mar 85 p 4]

[Text] There is a lot for all of us to think about. A change of attitude and an increase in production quotas and self-imposed quotas are the conclusions reached by the Territorial Delegation for Labor Inspection after conducting a special inspection in January in the City of Havana Province, as part of a project which covered 300 work sites throughout the country.

What undesirable situations were uncovered by the inspection?

--It was demonstrated that those responsible for labor discipline do little to ensure effective compliance.



--Deficiencies in utilization of the workday were noted in various sectors. It was shown that many workers go to their work sites and spend part of the workday not working, while others go to work, mark their time-cards and then leave to take care of personal problems. They are the harmful "present absentees."

--We must energetically combat the practice of many supervisors who justify the majority of worker absences, which is inimical to the disciplinary mechanism provided by prevailing legislation on this subject, and thus cause a breakdown in labor discipline.

--Some 64 work sites visited were without supervisors. This indicates that the duty of controlling subordinates is not being performed correctly nor is provision being made for good labor discipline, the organization of work and the proper utilization of the workday.

--The attendance of a large number of personnel who fall in the occupational category of supervisor is not controlled, even though there is no legislative regulation which exempts this occupational category from attendance control. In practice, this matter is left to administrative discretion.

--Control over work attendance is deficient. There are workers who sign in and out at the same time. Others do not sign in. It was also found that many workers and their time cards in their shirt pockets.

Incorrect procedures have been used to change time cards, occasionally for personal reasons, as regards sign-in and sign-out times, rest periods, personal breaks and lunch periods.

Work Saturdays: A Warning That They not Be Misused and Converted into Saturdays That Affect the Economy.

The practice of alternate Saturday workdays was instituted to ensure better utilization of both material and human resources. But the facts show that in some work sites they have been misused; and Saturdays are the potential source of indiscipline and, therefore, of possible impact on the economy, as they reflect a high degree of deterioration in discipline and utilization of the workday.

--Of the total number of workers who were supposed to be in attendance on Saturday, 25.6 percent failed to show up, a very high figure if compared with Wednesday, 16 January, and Thursday, 17 January, on which days 16 percent were absent.

--On Saturday, 5.2 percent of the workers arrived late, compared to 3.5 percent on 16 and 17 January.

Of the work sites samples, 26 were without supervisors out of the total of 101 entities visited, that is 25.7 percent, while on 16 and 17 January 18.1 percent of the 209 work sites visited were without a supervisor.

--As regards the number of workers on the job, on Saturday only 80.7 percent were present, while on 16 and 17 January 84.6 percent were present.

We are told that in the Housing Maintenance and Repair Enterprises of the municipality of Marianao, the programmed inspection could not be conducted on Saturday, 26 January, because the director refused to allow it, alleging that the comrades in charge of the personnel section could not be found.

Let us quote Veiga's words in the introductory report to the 50th National Council of the CTC: "...although problems of underutilization of the workforce are most blatant in the administrative sector, these problems are also present to a greater or lesser degree in all areas and branches of the economy. That is the reason why the work plan which we will debate in this meeting points up the need for continuing to work for the systematic updating of standards; increasing the number of semitechnical or technical standards; continuing to extend direct piecework applications in the industrial sector and the experience attained in the organization of the brigades, under the principle of domestic economic considerations; improving bonus regulations; developing multiple supervisory levels [el multioficio] and a few other measures directed toward redoubling control and production standards to optimize the use of human resources."

We have to win the economic war to which we have been summoned by Fidel. With better organization of work, maximum utilization of the workday and conscientious discipline, born of the pride of being a worker, a revolutionary and a Cuban, we must overcome these deficiencies which, even if it is unpleasant to say, are stains and blemishes that should not appear on the red flags we are brandishing in a salute to our Party's 3d Congress.

8143

CSO: 3248/419

CUBA

## PROVINCIAL AIRPORT UNDER CONSTRUCTION IN CIEGO DE AVILA

Havana GRANMA WEEKLY REVIEW in English 26 May 85 p 5

[Text]



THE PROVINCE of Ciego de Ávila, whose citrus fruit and tourist potential has earned it well-deserved international fame, will have its own airport next June. Hundreds of construction workers have labored to ensure that the first stage of the Máximo Gómez Airport, located 21 kilometers north of the capital, in Ciro Redondo municipality, will be ready on schedule.

Built in line with international safety standards, the new airport will be receiving IL-18, TU-154, YAK-40, AN-24 and DC-9 planes. This, Cuba's 15th civilian airport, is under construction in an unproductive area free of obstacles which assures ideal conditions for aviation.

Airport accessibility involved the construction of a road which is slightly more than nine kilometers long.

In its initial stages, the airport will have a passenger terminal, a 2200-meter-long and 45-meter-wide runway, connecting runways and ramps, fire unit, radio beacon, fuel area, parking section and roads.

The terminal is intended to be functional, and designed for beauty and comfort. It will provide for up to 100 passengers at peak periods.

Subsequently, the airport will be broadened and diversified, and the runway extended to 2600 meters.

This will increase the total cost of the project to more than eight million pesos.

### MAJOR TRANSPORTATION PROJECT

Undertaken in several stages, work started pressing ahead in 1984 with a view to the June 1985 opening.

In addition to improving Ciego de Ávila communications with the rest of the country, the terminal is located in a very favorable spot under the Maya air corridor, one of the two of its kind in Cuba.

Along this nearly 67-kilometer air highway, which is bordered by Punta Alegre to the north and Júcaro to the south, pass many flights between North and South America.

The new airport could, therefore, be a refueling stop and source of hard currency earnings.

Ciego de Ávila's growing attraction to tourists may well lead to special flights to an area where fishing in La Redonda Lake, a stay at El Ultimo Paraíso Hotel and hunting are some of the many available options keenly appreciated in many parts of the world.

The first flights into the new airport will come from Havana; but the type of plane, flight frequency, periodic transportation capacity and outlook for other regular routes are contingent on rigorous study of short- and mid-term conditions of supply and demand.

### A GOLD MEDAL

Ciego de Ávila residents are logically very pleased with their new airport, the first to be built in a provincial capital after the 1976 politico-administrative division of the country. Hopes are set on it being ready to receive delegates to the coming Giraldo Córdova Cardín International Boxing Tournament.

Even before the start of the event, the hosts will have earned for themselves a gold medal whose importance goes beyond the ring to the annals of a dynamic province.

CSO: 3200/47

19 July 1985

DOMINICA

## CHARLES DISCUSSES ELECTION, REGIONAL SITUATION IN INTERVIEW

## Pre-Election Analysis

Port-of-Spain SUNDAY GUARDIAN in English 9 Jun 85 pp 1, 14

[Article by John Babb]

[Text] AS Prime Minister of Dominica, Miss Eugenia Charles, gets a salary of \$30,000 a year. But not qualifying for income tax claims for children or other dependents, her take-home pay is about \$1,200 a month.

"The Opposition has been bawling their heads off saying we have increased our pay," she told me in an interview last week, "but if we had not done that I would have to beg on the streets."

Miss Charles is in the middle of a general elections campaign at the head of her Dominica Freedom Party (DFP) in the battle to win 20 of the 21 elected seats in Dominica's Parliament. Voting day on July 1 — the same day of which the sixth meeting of the Caricom Heads of Government opens in Barbados. Nomination Day is June 15.

This is Dominica's second general elections since independence. And the battle for seats is between Miss Charles's ruling (DFP) with 16 seats and the newly regrouped Labour Party of Dominica (LDP), led by former Finance Minister Michael Douglas.

The LDP has included on its slate of candidates members of the leftist Liberation Movement Alliance (LMA). Their accommodation is fielding 19 candidates.

Asked why her party was fielding 20 candidates when there were 21 seats being contested, Miss Charles said it was part of the strategy "to keep the communists out."

In the particular area called Pais Bouche, she said, there were two independents, "and we don't want to go in there to split the votes so the communists can get in."

"We do not want communists in our Parliament, so we are doing everything to keep them out. In fact in this campaign we are fighting communism."

According to Miss Charles, the Labour Party "has been bear-hugged by the communists," referring to the accommodation between the LPD and the leftist LMA. "They feel that this unity between them

can oust the Government. But I don't want them to get in."

The Dominica Prime Minister charged there was money from the communists flowing in the election, "and while Cuba and others have denied it, Libya has not denied it."

Miss Charles charged that leftist Rosie Douglas was controlling the opposition's campaign and his brother, Michael, was towing the line.

She added: "They don't like to be called communists, but that is what they are. They don't like the fact that we are attacking them as communists because it does not go down very well here on this island. But after Grenada I don't think any West Indian island wants to get hooked into that frame."

"You see, in protecting ourselves by preventing the communists from getting in, we are also protecting the other islands."

Miss Charles said the enthusiasm and support for her party was high. A lot of young people were supporting her party, even some Rastas.

She said other Rastas who were supporting the opposition were doing so because they had been promised the legalising of marijuana.

"But no government could afford to legalise that," insisted Miss Charles.

"I would not make such a promise, because I do not offer such carrots to people when in fact I know I cannot carry out such promises."

The opposition has also promised to

abolish income taxes, but Miss Charles said she could not promise that, as income taxes bring in about \$17 million.

"I cannot see another way of raising that amount of money unless I put it on food stamps, or I cut out certain services."

"What I can tell you," she added, "is that we have been looking at income tax every year since we



came in, and we have made small reductions over the years. We look at it every year to see how we can reduce it, while at the same time looking to see where this loss can be absorbed."

Her Government, she said has resisted putting a tax on basic food-stuffs, which are now cheaper.

"In fact the cost of living is now at a 2.5 per cent rate of increase. When we were elected, inflation was 30 per cent.

"And while bringing down the cost of living, at the same time we have created jobs. Of course, there is need for a lot more jobs. But when we came in unemployment was 21 per cent; it is now down to 13 per cent.

"Between 1977 and 1980, before we got in," she recalled, "only 300 additional jobs were created. But between 1980 and 1983, 5,800 new jobs have been created.

"I am not saying I can rest on my laurels and pat myself on the back, for I require another 5,000 new jobs," said Miss Charles.

The Prime Minister said she was sure if her Government was voted back into power for its second consecutive five-year term, she could reduce the island's unemployment to below 10 per cent.

"We have done a great deal in our last term. We have not repaired,

but reconstructed 92.5 miles of road at a cost of \$92 million, during which 16 new bridges have been built. Again, I want to do more. We have also done several miles of agricultural feeder roads," she added.

Miss Charles said that if returned to power her government big thrust in the coming term will be to establish a new system of feeder roads, "because we realise that that and marketing will really improve our agriculture."

In looking after Dominica's economy over the past five years. She said her Government has made a breakthrough in achieving a 4.5 per cent growth, which, she said, "is not bad. When we came in growth was minus one per cent.

#### BACK PAY

"We are on the way to doing something with the economy, because we have been very tight on spending. All along we have had structural adjustment, so now when people talk about that, I tell them we cannot do anymore. But we are looking at it. We have been putting much emphasis on marketing.

"Of course, we know of the problems, in Caricom, so we are saying now that we must look outside the area for markets. We have been working hard at this, and so far we have been able to get our citrus accepted in the United Kingdom

market. We have not begun to see the benefits of this as yet, but the fact is that it is now being accepted. We had worked hard for the past two years to get this done." She added.

Miss Charles also reported that Dominica's banana industry was thriving again.

"Our quality is tops," she said, "and the farmers are now getting the highest price they have ever

been paid — 23 cents per pound. As a result, more and more people are going into bananas because they are seeing the benefits.

"We are now shipping more bananas to Britain because of less wastage. We now ship about 1,000 tons per week, but we think we will get into the 45,000 tons a year, which is a good break-even point."

She also said there was a lot of debt in the industry which her Government met when it came to power in 1980.

"Right now," she added, "I'm looking at ways and means of paying off this debt without hurting the farmers."

Dominica's national debt is \$114 million. The opposition, she said, was saying it was less than that when her Government got in during 1980. But, according to Miss Charles, it did not take into account the \$11 million backpay which the Government had to find for public servants, and an additional \$2 million which had to be paid out as income tax refunds.

She said the money her Government has been able to borrow had been spent on developing the infrastructure, as well as sheds for industry, and for roads, including the feeder roads project. "And we built a very important bridge which had been broken down for more than 12 years. We did it within two years; We also spent money on our port which was damaged."

Asked to identify the most pressing needs of Dominica, Miss Charles said that "water is our number one problem. Although we have all the rivers in the world, we have outgrown our water distribution. But we have been developing several areas in order to boost the system.

"We want a national water scheme. We have spoken to the Canadians about it; they have sent down their consultants, and we have talked to them. They now have to submit their report," said the Prime Minister.

Miss Charles also said the Government had started to expand its electricity system and was currently thinking of developing electricity through hydro-power. Studies on this are being made, but, as you know, these studies take a long time," she said.

However, Miss Charles said she thinks she would be able to locate the money for such a project, which she anticipated would take about three or more years before it comes to fruition.

"We also require housing, and are thinking of developing our own resources," she said. "As you know, this is an area where we have had some help from Trinidad, which was one of the few places in the region that could have given us any such help — help for which we are indeed very grateful."

The Dominica Prime Minister also reported that since her Government came to power, domestic savings have increased by 50 per cent, and that some of this money is to be spent on housing.

Back on the subject of agriculture, Miss Charles said that apart from getting our citrus admitted to the British market, where we sell our bananas, we also sell our coconuts and the by-products like soap and oil. We also sell them lime oil, bay oil and petull oil, which is used as a base in the making of perfumes. Also, we are now into the alloe extract business. So there we are, diversifying our economy through agriculture.

"We do not want to depend only on bananas, although it will continue to be our strong base. It will be so because it is easy for the small man to become a banana planter.

"I would say that with proper cultivation on a small plot, a farmer can make about \$20,000 a year, and that is nearly as much as the Prime Minister, for I make \$30,000 as

Prime Minister."

Miss Charles expressed confidence about her party winning the elections.

"The opposition has been making a lot of noise," she said. "They think that their unity will bring them victory. They talk of seven marginal seats which we won with minority votes in the last election, and they feel they can take them now. I don't know what makes them think so.

"I am not prepared to say for sure that we would take those seats, but the people have seen what we have done. They have seen the amount of work we have put in."



CARICOM Considerations

Port-of-Spain SUNDAY EXPRESS in English 9 Jun 85 pp 20, 29

[Text] *THE PEOPLE of Dominica go to the polls on July 1 in that country's second general election since Independence. In the following interview, the island nation's Prime Minister, Eugenia Charles, talks to the SUNDAY EXPRESS about her party's chances of again forming the government and about her thoughts on the future of Caricom:*

**Q: Prime Minister, how serious is the challenge you face in the up-coming elections?**

A: It is a challenge. You have the combination of all the parties and it is a fact that the communist countries are assisting with large sums of money to the persons who are running on the other side.

**Q: Have you been able to establish this as a fact?**

A: Well, we haven't seen the money. I mean, except on one occasion we actually saw the money come in. But the fact is that you can see the spending pattern and there is no way that that money could be available unless it came from there.

**Q: Why would such countries want to put their limited money into Dominica at this stage?**

A: I think that they are very upset that they lost Grenada. They blame me, perhaps, somewhat for the fact that they lost Grenada and they would like to take this island and put it in their pockets.

**Q: How are you running at the present time?**

A: I think we are going to win the election. I can't tell you how many seats I am going to win, but I believe that we are going to win the election.

**Q: We took a general sounding about five to six months ago and that indicated that things were not going all that well for you. Was that accurate? Have there been changes over the last few months?**

A: I think when the Unification first came out it might have appeared that we lost ground, but I think that when people sat down and thought about it and realised what Unification meant we went right back up again.

**Q: What support are you getting from the young people?**

A: Very good support. So many Young Freedom Movement branches have been formed. I mean large numbers of new branches were formed in 1980 ... and they are very proud to take part in the rallies and carry the banner saying which village they come from and I think there are now 41 Young Freedom Movements around the island.

**Q: Which do you see as the most difficult seats?**

A: I think Portsmouth. Douglas has always won this one and we didn't have it before.

**Q: This is Rosie Douglas?**

A: No, Michael Douglas. Rosie Douglas is in Bentz and since a tremendous amount of money has been spent there, I think that it may pay off. And these are the two main seats. Of course St Joseph has always been a marginal seat and an ex-Prime Minister is running there. It would be interesting to see what the results would be. When you realise that here is a man who was charged by the High Court ... but of course he is free to run. And it would be interesting to see how the people look at it.

**Q: You hold 17 seats in a Parliament of 21?**

A: Sixteen. We lost one. One person crossed the floor.

**Q: And somewhere along the line I gather there is a prospect of somebody crossing over to you. Is there any truth in that?**

A: I'm not sure. I don't know where you got that. I said we have the same people. Nothing has changed.

**Q: You don't expect anyone to be crossing over to your side before the elections?**

A: I don't think so.

**Q: Tell me, on a scale of one to 10, how would you rate your performance in terms of promises made prior to the last election and what you have actually delivered.**

A: Actually we only promised one thing in 1980 and that was to get rid of the corruption. I don't think we have completely got rid of corruption. But we have made great inroads. So I would say that from the point of view of promises we scored nine.

**Q: In terms of the performance of your government, what would you say have been the highlights of your performance, other than the issue of corruption.**

A: Well, the fact that we had been able to attract aid at a time when no one was giving aid to Dominica. We made it attractive. And we have been putting the infrastructure back into place. And the fact that we have got young people motivated to do things for themselves.

**Q: You enjoyed wide public and international acclaim at the time of the Grenadian event. Has there been any counter-productive fallout at the domestic level. Have people tried to use this in an adverse way?**

A: No. Some used to say that I fit in America's pocket but they are now busy trying to pretend that Douglas was called up to Washington to have an interview with President Reagan. So they apparently think this is an advantage, to be a friend and be seen side by side with President Reagan.

We all know this to be completely untrue, of course. Douglas had had an eye operation and while he was lying in the hospital they

were busy telling people here that he had been to visit President Reagan who would restore him as the next Prime Minister of Dominica. So obviously they think it to be a good thing to be sitting in America's pocket. Actually I have never sat in anybody's pocket.

**Q:** Has Dominica benefited in any special way as a result of the relationship you obviously struck up with President Reagan at the time of Grenada.

**A:** I think so. They have been building the longest road in Dominica — the one you rode on, the Parkway. We also received help for the power station on the east coast.

They understood when I said, "Why should the people in the east be in the dark while the people in the west have lights?" And so I believe that this relationship that we had with the White House *did* help to get that particular project. We were also able to beg for small development projects, you know, things that are so important in a village but we don't have the money in our budget to do them.

**Q:** Do you see the CBI as having any special relevance to Dominica at this time?

**A:** It has helped in the fact that our essential oil is in more demand on the American market now. The CBI is one of the reasons. The other reason the recession. While the recession is on, people buy the oils and stock them away. So it has helped with our sales of bay oil and lime oil.

But it has also helped us because the CBI has been pushing to get citrus and things into the states and we have been able to get them to clear up citrus for entry. We have not succeeded in having any large orders because the season has run out on us but we now know that we can get into the United States and I think the reason for this is because we were pushed by CBI.

**Q:** So you do think there is hope yet that the CBI might be useful to the economies of the Caribbean.

**A:** And especially if we do get the twinning with Puerto Rico that we expect, it will make a big difference.

**Q:** What about Caricom. Are you optimistic at this stage that Caricom will survive?

**A:** I think it will survive. Whether it will survive healthily is a different thing ... but I believe that Caricom tried too much. I think Caricom should restrict itself to trade. I think it spread itself thin with a health debt and an energy debt. If they would only concentrate on the reason for which it was formed, that is, better trading relationships.

**Q:** Do you think adequate efforts have been made to improve the marketing arrangements within Caricom?

**A:** Enough has not been done and I think sometimes your country, in particular, is inclined to protect its people so that because you do not have a large agricultural production, your agricultural goods are expensive. And yet you do not allow the sale of ours

which could satisfy the consumer at a lower level. You can't get enough stock into Trinidad although it is a large market.

**Q:** The Trinidad problem is not of recent vintage, though?

**A:** Not so recent. Ever since that meeting I have been trying to fight it and so a little bit goes in, but nothing compared to what Trinidad could buy from us. And it would be no detriment to themselves. I am not asking them to throw theirs away and buy mine. I am asking them to buy mine as well. And Trinidad will buy from other countries. From third countries always. For instance, our spring water; we cannot get our spring water into Trinidad, but Perrier is being sold here. Foreign goods. In many ways we find it. And sometimes think that it is not only government, but also your big manufacturers who do not want to buy from us.

**Q:** Do you think that Trinidad in overall terms has played a valuable part in Caricom?

**A:** It may have before I came into government. But since I have been in government you have had your problems and I haven't felt that there has been the real will to get together to solve our marketing problems.

**Q:** This means that your relationship with Trinidad has not improved since I last chatted with you?

**A:** No. I don't think so. I think it has got worse, as a matter of fact. And I think it's true that each island is looking for markets outside of Caricom. And I presume that Trinidad is doing the same thing.

**Q:** To what do you attribute this deterioration?

**A:** I don't know. I think because your businessmen are not close enough to our businessmen. We don't know what you have to sell. Nobody from Trinidad comes down there and appoints an agent to sell his goods. Why can't Trinidad come and sell us their shampoo so we don't buy it out of Miami?

**Q:** Would it not be a more effective function of the Caricom Secretariat if it sought to facilitate training in this type of marketing rather than the many papers which appear to proliferate.

**A:** I agree. Exactly what I have been saying for many years. I think this stems from the fact that the secretariat is located in the wrong place; the secretariat can't operate properly from there and spreads itself too thin. It should spend itself looking after the things that would make Caricom work and that is the commercial trading area, the marketing between ourselves.

**Q:** Had you been the Prime Minister of Trinidad and Tobago at the time when the terms of trade moved adversely and experiencing the difficulties that now exist, what do you think would have been your response within Caricom? Do you think you would have continued to allow the liberal opening up of your market?

**A:** I imagine you would have to look at it because your foreign exchange is worth

looking at, but you are buying goods from the United States. Don't you see the point? You're buying from a hard currency area.

**Q:** Have you ever considered the St Kitts strategy which seems to be having a very healthy impact on the economy, of eliminating income tax, and trying to free up on controls, trying to release individual dynamism that might occur when people have a little money in their hands. Have you ever considered this as an option for Dominica?

**A:** Well, I looked at it. But you know we get \$17 million from income tax and you can only reduce that. I have already reduced income tax once. I would like to move to the point where income tax is paid on percentages: up to \$5,000 you don't pay tax, (for the next) \$3,000 you pay 5 per cent tax ... and not have allowances. I would like to do this, but it isn't a thing you can jump to do without looking properly at it, but I believe that we must reduce our income tax. We hope to be able to do something to relieve the

taxpayer a little bit.

**Q:** When is your next budget due?

**A:** It is due in July. Our year begins in July.

**Q:** And I gather that you are running with a balanced budget at the present time?

**A:** Well, we should have balanced it — if there hadn't been many terrible rainstorms like we had in November.

**Q:** And is your July budget going to be a balanced budget?

**A:** It will be a balanced budget.

**Q:** I think you have some lessons to teach many people, not only in the Caribbean, but around the world.

**A:** But a lot of the people here feel that I have tightened the belt too tightly; and yet it has helped me to get aid because I have been looking after the money well.

**Q:** On the other side of the coin, if you don't tighten the belt, the IMF eventually might.

**A:** At the present time we have already tightened it so much there are no more notches to be pulled.

**Q:** What are the essential planks with which you move into the next election?

**A:** We are going for further development.

**Q:** Have you specified the form of development?

**A:** Yes. We have said in agriculture. We already have diversified; we are going to do more of that to ensure that the farmer does not have a one-crop economy. We have brought efficiency to the banana industry. We are going to continue doing this so that the farmer earns more money than he is earning now, to get the highest price that he has ever gotten in the banana industry in Dominica.

We'll also have a look at small industries which provide employment to persons who do not want to work in the agricultural area. And we are continuing our efforts in education for youthful employment so that they can learn skills so that they can really earn a

living as a result of their schooling. And also continuing in keeping our health project going properly; in fact we have been able to do a great deal in health and brought health to the door of the ordinary man.

We are also looking to developing tourism and making a great thrust in that. Because then we would have had the roads in place so that people could drive on them and see some of the beautiful gardens.

**Q:** Do you see tourism being sold on a packaged basis with Dominica being part of an overall package plan. Or do you see Dominica promoting its tourist industry quite separate and apart from everybody else?

**A:** In two ways. We think that our tourism hasn't developed differently because we have other things to offer, not the white sandy beach, the surfing etc. But we also think that it would be a good thing if another island had that to offer. It's the variety. You could perhaps spend five days in one place, three days in another. And we would like to do this. We haven't yet found any partners who would like to go in with us on that idea but this is the aim we have.

**Q:** What about the Organisation of Eastern Caribbean States (OECS). How closely have you been able to cooperate with the other states of the OECS?

**A:** Very good. I think the OECS in fact will show Caricom how to operate closely. But then our agreement allows for much more cooperation even than Caricom does. And we have been able to see things eye to eye with each other. And there are prime ministers now that you find it very easy to hold discussions with ... If only we were able to get together on a telephone and talk to each other at the same time, it would make a great difference. I hope that comes at some time.

**Q:** Are you saying then that even though there might be no answers for the Caricom problem, you think that the resolution of the difficulty might be greatly assisted if people would only communicate more effectively.

**A:** I think so. Definitely. It's much easier if you could pick up the phone and talk. Even in Trinidad. You know how difficult it is to get in and out of Trinidad — I mean on telephones. I think it would make a big difference if we talked to people there. If we could really have like round discussions on the telephone.

But I think what really keeps us apart, you know, in the Caribbean is the little bit of sea between us. It's a bit more difficult to get across than if you were in a country where you could pick up a car and drive, say 200 miles, and here you have to wait for a plane that doesn't come. If we could talk to each other, a session on the telephone, or some means like that we would save a lot of time. Save a lot of meetings. I think we have too many meetings in Caricom.

**Q:** We have a stand-off within Caricom, there is no doubt about that. You are obviously one of the prime ministers hurting from this because your

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country is feeling it in the lack of trade, the inability to get into the Trinidad market and so on. What is your proposal to try to get people moving again, to try to get people talking again. What would you specifically propose at the prime ministers meeting in the next couple of weeks.

A: At the last meeting we had suggested that we should talk only on trade matters. And I believe that we must attempt that again. And we must be prepared for those meetings. You know Caricom brings a lot of documents which come to you three, four days before the meeting. You don't have a chance to sit down with your advisors and the rest of your Cabinet. So often we come to decisions at Caricom and we haven't seen all the ramifications.

And therefore it takes time to implement things. I think we must be much better prepared. I always hear a lot of things that shouldn't even be aired at the meetings. Because really they should be decided at heads of government meetings. We should take the time to have all the inputs in it properly and then come to the meetings well prepared, and well briefed.

Q: Is there any lesson to be drawn from the fact that when the Grenada decision had to be taken, it was taken so quickly and effectively, yet so many other decisions seem unable to be taken?

A: Well, I think when you are in a crisis you make a decision quickly. And it worked out well. But I think that some of the other decisions that are to be taken should be speeded up. But I believe we can if only we could talk to each other. On the telephone. And talk together. Round discussion on the telephone. I think it would certainly help a lot.

Express: Good luck with your election.

Ms Charles: Thank you very much.

#### Jobs Promise

Port-of-Spain TRINIDAD GUARDIAN in English 14 Jun 85 p 5

[Text]

ROSEAU, Thurs., (Cana):

PRIME MINISTER Eugenia Charles has promised to create 10,000 jobs during the next five years, should her Dominica Freedom Party (DFP) be returned to power in the July 1 general election.

Charles, who became the Caribbean's first woman Prime Minister in 1980, said there were still several projects her administration wanted to implement in agriculture, industry and tourism.

"Naturally, everybody hasn't got a job, but give us another five years and we will create 10,000 jobs this time," she told an election rally in Roseau, last night, in a clear pitch for the youth vote.

She said that because of her administration's development thrust during the past years, Dominican young people had kicked the habit of using marijuana, and were looking forward to gainful employment.

"I know I am not popular with certain sections of the young people, because I am hard against marijuana, because childless as I am I know that marijuana is the worst evil for the young people of this country."

She again appealed for a peaceful election campaign, urging supporters "not to allow politics to divide you."

Nomination Day for the poll is Saturday.

CSO: 3298/792



19 July 1985

## DOMINICAN REPUBLIC

## DEFICIT, GOVERNMENT POLICY ANALYZED

Santo Domingo LISTIN DIARIO in Spanish 31 May 85 p 2-C

[Article by Luis Alvarez Renta; passages enclosed in slantlines printed in boldface]

## [Text] Introduction

The debate on government finances has heated up again in recent weeks as a result of congressional passage of the minimum wage bill, and the wage demands advanced by the Dominican Medical Association (AMD) and other civil servant groups such as the National Association of Agricultural Professionals (ANPA). The first 5 months of the International Monetary Fund (IMF) adjustment program have also passed, and we want to take this opportunity to review Dominican public finances and the prospects for the rest of the year. This analysis is particularly important because we understand, first of all, that it is generally believed that the government possesses a major reserve of resources stemming from the increase in the value added taxes and the 36 percent surcharge on traditional imports. Along the same lines, the Dominican Government is perceived as being inefficient or profligate (especially concerning current expenditures associated with the government payroll). Secondly, to the extent that the aforementioned opinions prevail, not only is it more difficult to obtain new taxes and other corrective measures, but worse yet, such measures are taken hastily under emergency circumstances (as in the case of the solution to the doctors' wage increases), without adequately evaluating the long-term effects on the economy.

Before beginning the analysis, it should be noted that we are speaking of the Dominican State rather than the central government, because the latter's problems cannot be separated from those of the principal autonomous agencies and state enterprises. In addition, we have used as a basis of comparison the draft budget submitted by the Executive for 1985, rather than the budget that was finally approved and passed into law, because the draft budget is a better means of explaining the differences between what has happened and what was predicted at the beginning of the year. Finally, the cuts in capital spending (amounting to just over 130 million pesos) that Congress made in the draft budget were compensated by the rejecting of the taxes corresponding to those categories, so that the net effect of the budget cuts for the purposes of this study was nil.



We have modified the 1985 draft budget, including the principal decentralized agencies and state enterprises, and applied the real changes that have taken place this year in terms of prices, inflation, economic activity, taxes, foreign trade, and oil consumption, these being the main variables that affect the revenues and outlays of the Dominican State.

## Results

We can sum up the results of the table as follows:

I) The Central Government will manage to balance its budget, in general terms, primarily because the tax revenues derived from foreign trade will increase by some 300 million pesos (from 1,209,200,000 to a minimum of 1,504,400,000 pesos if the exchange premium remains at an average of 3.20 pesos to the dollar) because the value added taxes will be levied at a rate higher than projected. Moreover, non-tax revenues are also on the rise, since the dollars generated by the Rosario Dominicana are being sold for a better price. The 2,329,600,000 pesos of fiscal revenues includes 114 million pesos from the exchange surcharge imposed by the Central Bank and slightly more than 550 million pesos for changing at the free market exchange rate the revenues obtained from foreign resources, /assuming that all of these resources are forthcoming./ They come primarily from loans extended by the World Bank, the Inter-American Development Bank and the United States Government.

With regard to spending, the wage increases and the higher cost of materials and supplies have been taken into account, as have the interest payments called for in the IMF Letter of Intent. A substantial increase in capital spending with foreign resources has also been projected, to reflect the higher purchase cost of that portion of projects which must be paid for in foreign currencies, just like the foreign debt.

The table shows that if the free market exchange rate is 3.20, 3.25 and 3.30 pesos, total fiscal revenues will be 2,329,600,000, 2,350,700,000, and 2,371,900,000 pesos, respectively, with the difference in the deficit being 20.4 million, 16.2 million, and 12 million pesos, respectively.

On this point, the effect of carrying out the planned capital expenditures (which were, in fact, reduced subsequently by Congress) must be analyzed more carefully. We will do so later, but it is important to note that bringing down these outlays automatically involves a similar decline in the revenues coming from external resources.

II) Introducing the decentralized agencies into the analysis changes the results considerably; an overall deficit of 354.8 million, 379.1 million or 403.4 million pesos, depending on whether the average free market rate is 3.20, 3.25 or 3.30 pesos to the dollar, is created.

This dramatic change is due fundamentally to the fact that the government will lose more than 100 million pesos in revenues from the fuel differential when it has to buy at a higher cost than planned—including a slight decline in the cost per barrel, which is far outweighed by the increase in the rate above the original estimate of 2.80 pesos to the dollar. In addition, nearly 40 million

pesos would no longer be received from this differential because of the decline in the consumption of oil derivatives, if the consumption level recorded for the first quarter of this year is maintained. In sum, the fuel differential could fall more than 200 million pesos below the projected figure, depending on the exchange rate.

On the other hand, additional deficits amounting to 100 million to 130 million pesos would be created in the Dominican Electricity Corporation (CDE), the National Institute of Price Stabilization (INESPRE) and Dominican Mills as a direct result of the rise in the cost of the imported goods these entities must buy at a rate higher than 2.80 pesos to the dollar.

This result also includes the contributions from the Central Bank through the 36 percent surcharge on traditional exports, at the levels projected at the beginning of the year. In fact, exports have dropped considerably, especially traditional exports, as a consequence of the disincentive represented by that exchange surcharge.

III) There are other possibilities for financing the deficit under the terms of the agreement with the IMF. We have included them in our table under the "Other Effects" category. The first possibility is the conversion of a surplus in monetary planning into credits to the State due to a favorable balance of international payments, which would appear very difficult at this time. In addition, savings could result from converting income from loans for projects in Dominican pesos at the rate of 3.20 pesos to the dollar, when they were originally budgeted at the rate of 1 peso to the dollar. This is the same as saying that the cost of the projects will not triple as the free market rate has done. We have estimated that a maximum of slightly over 180 million pesos could be obtained in this way, but this figure assumes that the disbursements and planning of all projects will be carried out, which is also very unlikely. Finally, if the above does occur, it would be necessary to spend no less than 100 million pesos on balancing items.

If we add the above figures with their most optimistic values, reducing the minimum for balancing items, we could expect a surplus of some 133 million to 145 million pesos, which is shown on the penultimate line of the table.

IV) We can sum up all that we have described above by indicating that in the best of cases (and under many favorable circumstances), the Dominican State would finish up the year with a total budget deficit of no less than 200 million pesos. More likely, the deficit will total 300 million pesos, above the original estimate.

#### Conclusions

It is because of this situation that the Dominican Government has refused all requests for wage raises that are not duly linked to a source of funding, and has chosen to put up a strong resistance to wage demands such as those presented by the Dominican Medical Association, and to the wage increase bill with no corresponding tax support. The only means the government has to deal with this deficit, according to the terms of the agreement with the IMF, is to

paralyze public works projects, since it cannot finance anything by printing more currency.

This problem requires other long-term solutions, which should be viewed from two different perspectives: government fiscal austerity, and the creation of new taxes. /It is imperative that both initiatives be taken, because the deficit is too large to be covered without new taxes, but the political support for the taxes will not be forthcoming if the government does not impose the necessary discipline and fiscal austerity./

With regard to austerity and discipline, there have been repeated proposals to cut back on the public sector payroll, considering that personnel expenditures already amount to more than 700 million pesos a year. We agree with this measure, which we consider to be strictly necessary. It should also be recognized, however, that the present government cannot undertake such a move, since it has had to take a great many other unpopular measures in a very difficult situation, making terrible adjustments in important areas such as prices, the monetary and financial system, and the exchange system. These measures have put to the test the very stability of our society and institutions. For this reason, such a move must wait until the administration changes hands in August 1986.

The current government can, nevertheless, reduce or sell the state activities that are incurring losses, for example many of those that INESPRE engages in, and the deficit enterprises that belong to the Dominican Corporation of State Enterprises (CORDE). It can also make substantial improvements in fiscal administration, as was shown by the recent increase in customs collections simply by streamlining operations, and it can raise the cost of state services that are now highly subsidized.

The government can achieve great savings, and immense popularity, by changing its philosophy and concentrating its attention on better fulfilling its role as a provider of basic health services, education, infrastructure, social assistance, defense and national security. It can also cut its investments in areas such as mining prospecting, through Rosario Dominicana, and the INESPRE fish processing plant; it can carry out this kind of project through mixed enterprises, with private national and foreign investment, and thus devote more resources to priority areas.

In the short term, the renegotiation of the foreign debt (currently underway) could help bring the deficit down by some 80 million pesos. Consideration should be given to the modification of fuel prices to put more of a surcharge on gasoline and reduce the prices of gas oil and fuel oil to a level closer to their real prices (the international cost).

The latter aspect serves as a threshold for considering tax solutions. The new taxes should be aimed at penalizing consumption, not production; this should be the guideline for all fiscal measures. We have learned this lesson from the effects of the increase in gas oil prices and the 36 percent exchange surcharge, which have directly penalized agricultural production and exporters, while the government did not get what it expected because of the deterioration of these sectors.

It is preferable to expand the scope and the percentage of the ITBI [expansion unknown]. Two scales could be created, as some countries have done, with luxury goods paying a higher tax and the minimum base being raised from 6 to 10 percent. Furthermore, the capital gains tax and the property tax levied on those who own more than one dwelling and vacant lots, are redistributive taxes and thus have elements of social justice.

To conclude, we should emphasize that the exercise and continuation of democracy make it imperative that we seek a consensus to shore up the public finances of the Dominican State. The government and its agencies have a direct or indirect share in more than 60 percent of economic activities in the Dominican Republic. The paralysis of the state would, now more than at any time in our history, have an adverse impact on our socioeconomic development.

Summary of Revenues and Outlays of the Central Government  
and the Principal Decentralized Agencies for 1985  
(values in millions of pesos)

Category	1985 Budget	3.20 Rate	3.25 Rate	3.30 Rate
Total Ordinary Revenues	<u>1,325.8</u>	<u>1,655.2</u>	<u>1,667.6</u>	<u>1,680.2</u>
Total Tax Revenues	<u>1,209.2</u>	<u>1,504.4</u>	<u>1,512.6</u>	<u>1,520.8</u>
Total Non-tax Revenues	116.6	150.8	155.0	159.4
Total Special Revenues	179.6	674.4	683.1	691.7
Total Fiscal Revenues	<u>1,505.4</u>	<u>2,329.6</u>	<u>2,350.7</u>	<u>2,371.9</u>
Total Current Expenditures	1,077.3	1,489.4	1,496.5	1,503.6
Total Capital Expenditures	428.1	860.6	870.4	880.2
Total Fiscal Expenditures	<u>1,505.4</u>	<u>2,350.0</u>	<u>2,366.9</u>	<u>2,383.8</u>
Fiscal Deficit/Surplus	<u>0.0</u>	<u>-20.4</u>	<u>-16.2</u>	<u>-12.0</u>
Extrafiscal Revenues		270.2	254.9	239.6
Extrafiscal Expenditures		604.6	617.8	631.0
Overall Deficit/Surplus		<u>-354.8</u>	<u>-379.1</u>	<u>-403.4</u>
Other Effects				
Deficit/Surplus Official Monetary Planning		50.0	53.0	55.0
Additional Balancing Items		-100.0	-100.0	-100.0
Savings on Expenditures with Foreign Resources		183.4	186.2	189.1
Net Other Effects		133.4	139.2	144.1
Total Deficit/Surplus		<u>-221.4</u>	<u>-239.9</u>	<u>-259.3</u>

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CSO: 3248/414



EL SALVADOR

HANDAL ON GUERRILLA LIFE, TACTICS, PURPOSE OF MOVEMENT

Mexico City ASI ES in Spanish 17 May 85 pp 14-16

[Article by Schafik Jorge Handal, secretary general of the Communist Party of El Salvador (PCS), commander in chief of the Armed Forces of Liberation (FAL) and member of the General Command of the Farabundo Marti National Liberation Front (FMLN): "Four Years of Revolution on the Offensive in El Salvador"]

[Text] The war in El Salvador celebrated its fourth anniversary last 10 January. The current U.S. administration has made our country part of its geopolitical plans, incorporating it into the United States' "vital zone." Ever since he became president on 20 January 1981, Ronald Reagan has made it his personal cause of honor to crush the Salvadoran revolution and has on several occasions put his prestige with Congress on the line to get it to approve increasing amounts of military and economic aid for the genocidal dictatorship. Washington has spent more than \$1 billion on direct aid and some \$1.5 billion on indirect assistance and covert supplies in its war against the Salvadoran people. The latter figure includes: the cost of the ongoing flights of electronic reconnaissance aircraft that keep the puppet government's military command informed; the covert supply of much of the weaponry and equipment sent to Honduras, supposedly for the continual military maneuvers (another part is delivered to the Nicaraguan contras); part of the operational costs of these same armies and of the movements of warships (including aircraft carriers), which are directed against Nicaragua and designed to raise the morale of the harried Salvadoran puppet army and to intimidate the FMLN; the costs of CIA and Southern Command military intelligence activities, including naval surveillance with radar equipment on an island in the Gulf of Fonseca to intercept alleged arms shipments by sea and air from Nicaragua.

In analyzing what is going on in El Salvador, we must not forget for a single second that Yankee imperialism is not fighting to take control of great wealth in this country, which is extremely poor in natural resources. Its goal is much broader. By defeating the revolutionary movement in El Salvador, it hopes to discourage and frustrate revolutionary movements throughout Latin America and, to



an extent, throughout the Third World as well, and to thus derive arguments for fostering an imperial chauvinism among the American people. As we know, such imperial chauvinism provides a base of political support for the hegemony of the military-industrial complex and its anti-Soviet and, in general, antisocialist policy of fueling the arms race, which it now seeks to extend into outer space.

Along with the material aid have come Yankee military advisers (59 officially, but in fact there are many more), who have pursued a series of strategies and tactics the formulation of which has engaged the talents of Pentagon officials, with their experience of defeat in Vietnam, as well as the talent and cunning of veteran politicians and analysts such as Henry Kissinger, two secretaries of state (A. Haig and G. Shultz), two undersecretaries for Latin America, and personnel from the State Department, the National Security Council and several universities, in addition to the painstaking efforts of the CIA. To gauge the impact of this Yankee meddling, we must bear in mind that El Salvador is the smallest country in mainland Latin America (21,000 square kilometers roughly) and that its national budget was not much above \$500 million until 1980.

The United States sent this enormous amount of aid to support a corrupt, bloodthirsty and moribund military dictatorship a half-century old and a highly reactionary landowning bourgeois oligarchy in an effort to humiliate and subjugate a people who have defeated this ignominious regime several times at the polls without managing to change anything and who, consistent with their age-old aspirations, took up arms after exhausting legal channels to achieve democracy and social progress. Devoid of all legitimacy, the dictatorship has been resorting to butchery since 1974. As in 1932 and 1944, it has attempted to survive by employing its only available tool: State terrorism, that is to say, the reign of disappearances, torture, arbitrary mass arrests, the slaughter of unarmed crowds, the "death squads" with their endless string of murders (including Monsignor Oscar Arnulfo Romero, the archbishop of San Salvador) and their daily spectacle of mutilated bodies on public thoroughfares.

President Reagan has gotten the United States involved in support of all this. He has furnished U.S. dollars, weaponry and military and political guidance to bring State terrorism to the level of genocide, under the pretext of "combating Soviet expansionism and Cuban-Nicaraguan intervention." Some 50,000 noncombatants have been slain since then by hardware "made in the U.S.A."

In the military arena, Yankee aid has expanded, modernized and adapted the dictatorship's Armed Forces to the contrainsurgency models developed by the Pentagon. In late 1980, the Armed Forces had fewer than 14,000 troops; by December 1984, there were 43,000. Their firepower has increased many fold; they were given an air force, a growing fleet of helicopters and a light navy, all suited to irregular warfare;

the troops have received or are receiving training from Yankee instructors or in accordance with their standards, even for disembarking from helicopters during combat. Under pressure from the U.S. Embassy, Armed Forces commands have been gradually replaced, so that now the Pentagon's military counterinsurgency philosophy now predominates; their organizational structures have been revamped with the personnel who meet these requirements. Thus, what used to be the oligarchy's army is now a modern puppet Armed Forces. The longstanding control of the military by leading oligarchs has thus been shattered, as Washington is now for the most part at the political and military helm.

In the political arena, the Yankee imperialists have also shattered the predominance of the oligarchy in government and taken it over by installing Jose Napoleon Duarte as president of the pseudo-republic. They have thus also given the dictatorship a "centrist" and "reformist" image. So, at the same time the killing spreads (the bombing of the civilian population by U.S.-supplied aircraft and artillery is now doing more of it than the death squads), this government's mission is to coopt the revolutionary masses with demagogic rhetoric and to become acceptable to world public opinion.

As we can see, all of this is taking place amid bitter conflicts. The oligarchy, on the one hand, sorely needs the salvation of Yankee intervention, but on the other is not resigned to its new second-class status and is almost desperately trying to regain its hold on power.

National sovereignty and independence have been throttled, though Duarte, using what he has learned from the Yankees, occasionally makes statements asserting his government's "independence" and has even gone so far as to quarrel publicly with the American ambassador over some excess he committed in his brazen role as imperial governor.

On the diplomatic side, Washington is constantly pressuring governments on every continent, especially in Latin America and Western Europe, to support Duarte's government, to avoid denouncing it in international forums and to isolate the FMLN-FDR [Revolutionary Democratic Front]. At the same time, State Department experts map out the puppet government's foreign policy and advise it on its conduct.

In spite of this all-embracing U.S. involvement against it, the FMLN has grown quantitatively and qualitatively. It has retained the offensive in the overall war, today controls around 40 percent of the country (including spots near San Salvador) and is actively vying with the enemy for the rest, operating practically all over the country. During the 4 years of war the FMLN has put around 19,000 troops of the puppet army out of combat and seized more than 6,000 rifles, hundreds of supporting weapons and pieces of military radiocommunication equipment and hundreds of thousands of rounds of ammunition. Clearly, were it not for the support of the United States, we would have defeated this army some time ago.

In 1984 the FMLN-FDR scuttled Yankee imperialism's new strategy and tactics for El Salvador. Our revolutionary armed forces were supposed to have been cornered in a small area in the northern part of the country (the most backward, unpopulated region), leaving the puppet army in complete control of the vital central and southern sections (the most densely populated and economically developed). In the meantime, Duarte's "centrist" government would strip us of our influence among the masses and isolate us internationally. Thus, with a revived, developed economy in the center and south thanks to the sizable investments called for in the Kissinger Commission's plan, which would aggravate the neocolonial domination of our country, El Salvador would be well on the way to becoming a stronghold for the counterrevolution and for U.S. predominance in the Caribbean Basin and Latin America at large.

Meanwhile, the puppet troops, their numbers, mobility, coordination, firepower and combat readiness further enhanced, would proceed to annihilate us in a northern corner of El Salvador along the border with Honduras, with the latter's army serving as the anvil for the crushing "Salvadoran" hammer.

In more explicit terms, the situation was as follows as 1984 drew to a close:

a) The FMLN had taken a severe toll on the puppet army, countering its expansion plans and demoralizing its ranks.

We consolidated and broadened the areas under our control and our rearguard zones and widened our combat presence in the north, center and south. We carried out suburban guerrilla activities and intensified the armed struggle in San Salvador and San Miguel, the capital and third largest city, respectively.

b) We extended our theaters of operations to the western part of the country, the crucial agroindustrial region that the enemy had maintained for more than 3 years as its calm, extensive rearguard zone.

c) As a result of all the above and specifically the blows that the FMLN dealt to the wartime economy, the country's economic crisis again deepened. New infusions of dollars will now be needed to keep it afloat, and thus a major portion of the increased aid that Reagan plans to provide the puppet government in 1985 will go to offset losses, not to give it greater offensive might.

d) The strike movement that began in late 1983 continued and grew in 1984. The human rights movement expanded. The National University recovered its campus, which the dictatorship's troops had destructively invaded and occupied in 1980. The struggles and organization of rural workers for land and wage boosts expanded.

In spite of its demagoguery, the Duarte government has not and will not be able to meet the demands of the masses. On the one hand, it showed it was incapable of boosting the inflation-eroded wages of the public employees who made up the bulk of the strikers. On the other, it has proven clearly powerless to keep the oligarchy under control, to force it to raise wages and to accept the agrarian reform. Quite to the contrary. The oligarchy's deputies have killed the legislation on which the agrarian reform is based, while state-run banks still offer scanty credit to peasant farmers, and the prices of agricultural inputs continue to rise unchecked.

The hopes that Duarte's presidency might have prompted in at least some people have collapsed, and his government's ability to win over the masses is rapidly eroding.

e) The FMLN-FDR has consolidated its diplomatic relations and maneuvering room around its consistent bid for dialogue and negotiation to find a political solution to the war. As we know, since early 1981, in other words, since the very outset of the war, the FMLN-FDR has presented several negotiating proposals both to the U.S. Government and to the Salvadoran Government and its Armed Forces. These proposals have been repeatedly rejected, until September 1984.

f) As a result of all these favorable shifts in the balance of military, political and diplomatic power, the Duarte government, appearing to take the initiative, was forced to sit down at the negotiating table last October, with Washington's consent of course. Reagan and Duarte thus accorded the FMLN-FDR an obvious and, to them, painful, recognition that broadened its international acceptance and gave an extraordinary boost and a greater legality to the grassroots political movement for grievances, particularly in San Salvador and other cities in which the masses have taken to the streets again, thus flouting the martial law that has been in effect since 1980 and in spite of the extermination of their leaders and activists by the death squads.

Although the decision to sit down and talk initially enhanced Duarte's domestic and international prestige, the meetings so far have shown that he lacks sincerity, that the military command is defying his authority (its refusals to comply with and its violations of the Christmas and new year's truce with the FMLN-FDR) and that his differences with the oligarchy, which seemed to have softened, are still bitter.

The Duarte government, which is a key component in the counterinsurgency program that Yankee imperialism is applying in El Salvador, is very far from strengthening its hand and is, in fact, growing weaker; its prestige inside and outside the country is eroding, and a grave crisis is descending on it as I write this article.

In November of last year, Mexico, France, Spain, Sweden and Algeria submitted to the UN General Assembly a draft resolution condemning the Salvadoran Government for its mounting human rights violations,



particularly its bombings of the civilian population, The draft describes the situation in El Salvador as "a state of widespread conventional war," thus rejecting the charge of "terrorism" that Reagan and Duarte customarily hurl at us. This draft resolution unquestionably represents greater international recognition for the FMLN-FDR.

So then, the FMLN-FDR, which according to the Yankee plan is supposed to be politically weakened, territorially cornered and internationally isolated, is that much stronger today, further pursuing its military political and diplomatic offensive.

The banner of sovereignty and independence, the cause of a nation betrayed by the puppet regime, is in the hands of the revolutionary movement, which is also the standard-bearer of democracy and social liberation. This is the cause for which it was born.

If we were to cast a superficial glance at developments in El Salvador, we might conclude: "Too much time has past without the revolutionaries achieving victory, and with the United States resolutely against them, they will never triumph."

This is a short-sighted judgment. The Reagan administration itself, which announced in January 1981 that it would defeat us in 3 to 6 months, knows well that its failure to do so after 4 years of mounting efforts and involvement represents a huge victory for the FMLN. It also knows well that its designs are worst served if the revolutionary offensive continues to make headway and to gain further political and diplomatic ground by dint of the constant toll that the FMLN is taking on the puppet Armed Forces that are receiving more than \$1.5 million a day in aid.

To properly assess the 4 years of the revolutionary people's war in El Salvador, we should infer what would have happened if the FMLN had been defeated. The Sandinist People's Revolution would be having greater problems because it would be actively opposed by an enlarged, modernized and battle-hardened Salvadoran Army manipulated by imperialism and by our country's wealthy, reactionary oligarchy. The Yankee imperialists and all of the Central and Latin American reactionaries would be emboldened, furiously besieging the democratic and revolutionary movements. The United States' Hitlerite dream of invading Cuba, which it has never completely abandoned, would have received an enormous boost, and world peace would be much more threatened than it is today.

Our continued struggle and progress have insured the continuity of the Central American revolutionary movement. It is the contribution of the Salvadoran people and revolutionaries to the defense of Nicaragua. And it has spurred on the democratic and revolutionary struggles throughout Latin America, which in recent years have removed several fascist regimes that Yankee imperialism implanted in South America



in the 1970's and are today mustering fresh forces among the Chileans who have risen up against the brutal Pinochet dictatorship that the CIA created. Our unbowed struggle is helping every day to discredit and weaken the obstinately aggressive policies of the Reagan administration in its own country and throughout the world, thus bolstering the struggle against imperialism and for world peace.

In our judgment, such is the only proper assessment of the international significance of the Salvadoran people's struggle.

It has taken an extraordinary and mounting effort to sustain our offensive against Yankee imperialism, which is bent on defeating us, in a small country that does not border on any nation governed by progressive forces, that is so close to the United States and so far from the Soviet Union. Such an effort has been made possible solely by the unity of all revolutionary forces within the FMLN, its sound policies, its firm alliance with the democratic forces headed by the FDR, the deep roots of our revolution in the working-class, peasant farmer and low-income masses in general, and the broad international solidarity that our struggle is receiving.

How do the United States Government and the Salvadoran dictatorship explain the obvious failure of their plans in El Salvador?

They claim that the FMLN receives large amounts of arms from the Soviet Union, Cuba and Nicaragua. Yet they have not been able to furnish convincing evidence of this claim. Newsmen of every ideological persuasion and of many nationalities (including Americans) who have visited the battlefronts in El Salvador report that the FMLN's weapons are American-made, just like the ones that the Reagan administration is sending to the dictatorship's Armed Forces. For their part, the sophisticated U.S. military intelligence services know perfectly well that this business of a "huge flow of arms" to the FMLN from Nicaragua is a fallacy. But even if we were to assume that it were true, it would still not explain the results on the battlefield, inasmuch as everyone, the Pentagon included, agrees that the amounts and firepower of the American weapons sent to the dictatorship's army (not to mention the advisory services, troop training, cooperation in military intelligence, etc) are more than a hundred times greater than the alleged large shipments from Nicaragua that our movement's enemies refer to in their propaganda.

To this we should add that the FMLN has no helicopters, no airplanes, no howitzers, no gunboats and no armed transports, and no one questions that it has only a small fraction of the soldiers and offices that its enemies have, that it has no control over industry and big business, nor does it get tens of millions of dollars in foreign aid to clothe, feed, transport and provide medical care for its troops, nor does it have the government machinery or the uncontrollable connections of the bourgeois business world, all of which the puppet army does, in fact, possess.

Thus, the claim of the FMLN's enemies does not hold water, giving rise to a comeback question: Why are the dictatorship and its imperialist masters losing the war in El Salvador?

To put it briefly, the FMLN is winning the war because it is on the side of the people, who are the ones who are really waging this revolutionary war in El Salvador. The high morale and efficiency of our combatants and officers are based on this essential fact, which bespeaks the justice of the cause for which we are fighting. Herein lies the enduring difference between the high quality of our fighters and the mediocrity of the puppet army's soldiers.

The FMLN is the indisputable guide, organizer, leader, armed wing and vanguard of the Salvadoran people. We are not being at all gushy when we say that "it is the blood of their blood and the flesh of their flesh; it is their feeling, their longing and their conscience."

Our experience has taught us a number of things. It has taught us that the revolution can make headway amid the poorest conditions as long as there is a united vanguard that maintains its indissoluble ties to the masses, pursues sound revolutionary policies and possesses the indomitable determination and resolve to fulfill its historic mission and overcome. Even the smallest nation will follow a vanguard that possesses such revolutionary attributes.

The essence of revolution as a historic process is offensive, and its central problem is attaining and defending power. Without the thrust for power and without an ongoing offensive there can be no truly revolutionary line, and without such a line the masses cannot be properly mobilized or educated. The revolution will bog down, not move ahead.

The FMLN-FDR combines the armed struggle, the political struggle and the diplomatic struggle and seeks to remain on the offensive in each. These, in our experience, are fundamental principles of revolutionary leadership.

What a revolution needs to maintain the offensive, aside from a sound line in terms of the revolution's nature, is to insure an accumulation of forces during each stage of the class struggle, bearing in mind the conditions at each juncture, and to organize, guide and carry out the transition from one stage to a higher stage in the class struggle. In other words, it must not hold back the struggle or bring it to a standstill.

If the vanguard fails to discharge its duty to organize and spur the shift to higher stages of struggle when need so dictates, it ceases to be a vanguard; it could then break down and split up, stagnating and even becoming part of the political machinery that supports the system of domestic and imperialist exploiters. The revolutionary class struggle does not admit a stable middle ground, a "limbo."

The often indispensable retreats and zigzags must of necessity eventually strengthen and guarantee the offensive of the class struggle as a whole. To retreat indefinitely or to keep on zigzagging without moving forward is actually tantamount to giving up a revolutionary leadership for the class struggle, cultivating the illusion, which events have never justified, that the reign of the exploiters and exploitation itself can be ended and national liberation from the imperialist yoke can be achieved without revolution, through a gradual evolution, by means of reforms.

The unity of revolutionary forces is an essential condition for uniting the working class and low-income masses around the banners of the revolution. It is decisive in putting together and maintaining a strong alliance with the other democratic and patriotic forces. If the forces of the revolution are divided and isolated, they cannot, except in propaganda, become the standard-bearers of democracy and national interests. And without all this they cannot oppose imperialism and its lackeys with sufficient force or with the indomitable will to struggle and overcome. Under such conditions, imperialism with its wealth and military and political power can defeat the revolution and even topple it if it has already taken power.

In our experience we have seen for ourselves the radical difference in domestic influence and in international prestige and support for the revolutionary forces when we were divided and then later after we unified.

The unity of the revolutionary forces means much more than the sum of their parts. It represents the emergence of a new attribute: the formation and successive expansion of the vanguard.

The Seventh Congress of the Communist Party of El Salvador (April 1979) deserves credit for having given communists a revolutionary line, thus putting an end to longstanding hesitations and cutting short the shift to reformism, which was corrupting the revolution. Our party has thus had the honor of participating in the achievements of the Salvadoran people and of making its contribution to them.

The Seventh Congress charted a correct line, as events during these years of arduous struggle have shown. The party accomplished its shift towards the unity of the revolutionary forces and the armed struggle, as decided by the congress, consistently and without rifts or crises.

The Central Committee (CC) held its Fourth Plenum in March-April 1984 in one of the regions under FMLN control. Among other things, it assessed the situation in the party as a result of the policy turnaround ordered by the Seventh Congress. The plenum concluded that the shift had indeed been accomplished.

The PCS has been undertaking armed actions since 1979 and took part in the general offensive of 10 January 1984. Since that time it has been heavily involved in the grassroots revolutionary war and has set up its own armed wing, the FAL.

Today, ours is a party at war, and its organization, its ideology, the nature of its activities and its working methods are in keeping with this status. We have put together rank-and-file and intermediate-leadership party structures among the ranks of the FAL as well, and we have resolved the difficult problem of insuring direct party control over all levels of its armed forces.

The CC, the CP and the regional committees are political and military leadership bodies, and party cadres and leaders have a military as well as a political capacity.

In spite of the brutal, bloodthirsty repression that has cut short the lives of many cadres, including members of the CC, the party has kept up its activities in the labor movement, in the countryside, in universities, among intellectuals and in the political arena proper.

The party has extended its organization, branching out into areas of the country in which it was weak before the war. It has planned and carried out wideranging international activities through capable cadres scattered throughout North America, Latin America and Europe.

The PCS is now larger and better and continues to grow.

During the second half of 1979 and the first half of 1980, our country was in a mature, immediate revolutionary situation, and it was at this time that the revolutionary forces underwent unification. In January 1980, the Revolutionary Coordinator of the Masses (CRM) was founded; in March, the FDR was created, and the platform of the Revolutionary Democratic Government, the political core of the alliance among revolutionary forces and other democratic forces grouped around the FDR, was drafted.

The country was then jolted by an unprecedented wave of strikes, by land takeovers and by huge street demonstrations (the one on 22 January 1980 in San Salvador numbered 300,000). All of these struggles were thoroughly imbued with mass violence and the armed actions of the combat units of the emerging revolutionary army, whose upper echelons were assembled and expanded afterwards, during the war, within the framework of the FMLN.

The masses were prepared to risk their lives for the victory of the revolution, as they demonstrated day after day for months, taking to the streets to confront the dictatorship's army and police forces in spite of the savage machine-gun fire, mass arrests, "disappearances" and murders.



The economic crisis suddenly worsened. The ruling classes began fighting bitterly among themselves. Rifts developed in the ranks of the military.

Owing to the delays in achieving unity during previous years, the subjective conditions for revolution were not quite ripe at the time; I am talking in particular about the establishment of the vanguard, overcoming the bids for preeminence among its ranks and drafting its single plan of action for organizing and guiding the uprising.

Nevertheless, we did seize the opportunity. The FMLN went on the offensive on 10 January 1981, setting the grassroots revolutionary war in motion and, with it, the next stage in building the revolutionary armed forces, which absorbed much of the social activism unleashed by the revolutionary situation. The inadequate subjective conditions were thus offset by a major offensive that has enabled the revolution to move forward all these years. The formation and maturation of the vanguard blocked a bourgeois way out of the structural crisis and, consequently, prolonged the general revolutionary situation.

Until early 1984, the puppet dictatorship managed, through terror and mass murder, to maintain an iron-like grip on the capital, other major cities and the entire western region of the country. This area is populated by the most advanced, experienced and organized masses, the bulk of the working class, intellectuals and students and much of the agricultural proletariat, and it has also historically been the scene of the most important struggles, including the uprisings of 1932, April, May and December 1944, the major pre-insurgency actions of August-October 1960 and, above all, the battles from October 1979 to June 1980.

As I noted previously, a new thrust is under way in the mass struggle in San Salvador and other cities. At the same time, we have begun guerrilla activities in the suburbs, intensified armed actions within metropolitan San Salvador and, with vigorous military action and organizational work in the western region, unsettled the "calm" enemy rearguard.

Henceforth, the FMLN will be able to grow and expand even further by incorporating these huge advanced masses into direct revolutionary action in the very heart of enemy territory. Incredible though it may seem, after 4 years of war, the small but heroic Salvadoran people have not yet fully displayed their energies and might. The greater part of their revolutionary potential is still unrealized, as we move towards our biggest battles.

The factors are now in place that will lead to the outbreak of another immediate revolutionary situation. This time, unlike 1979-80, we will have an experienced and united vanguard that possesses an efficient and battle-hardened revolutionary military, that is engaged in a combined military, political and diplomatic offensive and that has



deeper, stronger and more varied ties with the masses, as well as established international relations.

The light of victory for the Salvadoran people is growing brighter, the victory for which so much blood has been and is still being shed; the dark night of genocide is about to lift. But precisely for this reason, the danger of direct military aggression by the United States looms larger.

Together with all progressive forces in Central America and throughout the world, including progressive forces and sensible groups in the United States, the FMLN-FDR is doing its utmost to prevent Washington from invading Nicaragua and/or El Salvador; we are even striving to pave the way for negotiations to achieve a just and honorable political solution to the war. We are struggling alongside the Honduran people to end the Yankee military presence in their country and to frustrate the U.S. plan to make Honduras a permanent base for aggression against the peoples of Central America and the Caribbean. In a word, we are struggling to defend the right to self-determination and peace of the Salvadoran people and of all our sister nations.

At the same time, the FMLN-FDR is readying itself in all areas and is preparing the Salvadoran people to resist and defeat direct Yankee imperialist military aggression if Reagan should ever undertake it in spite of the opposition to it in the United States itself and throughout the world.

El Salvador, January 1985

8743

CSO: 3248/395

## WORKERS SUCCESSFUL IN HOLIDAY INN SEVERENCE PAY DISPUTE

St. Georges THE GRENADIAN VOICE in English 1 Jun 85 p 1

[Text] WORKERS at the Grenada Beach Hotel received a golden handshake this week totalling just under half a million dollars and they are in their glee for the bulk of this amount is long overdue money which some of them thought they had lost due to the failure of their former Trade Union - the Bank and General Workers Union - to secure for them from either Holiday Inn or the People's Revolutionary Government severance pay due to them when the PRG took over the Hotel from Holiday Inn.

Seeking better representation the workers registered with the Seamen and Waterfront Workers Trade Union early in 1984 and the matter was actively pursued by them with the former Board of Directors and Interim Administration, without any success. It was only with the appointment of the new board under Chairman G.A. 'Richard' Menezes that some interest and sympathy for the just claim of the workers was recognised and with the impending changeover in the operation of the hotel when the U.S. Military vacates it in the middle of June arrangements were finalised for the payment.

The final payment of roughly \$498,000.00 includes severance pay based on two weeks pay for each year of employment plus one month's salary in lieu of notice on termination of employment. One worker received as much as \$14,000.00 and another \$11,000.00 and the new operators of the hotel, who hope to have it ready for opening in December, have agreed to keep on a few members of staff - particularly in the security area - and to give first consideration to former employers of the hotel when new staff is being recruited.

CSO: 3298/793

GRENADA

PAPER FINDS FAULT WITH NEW NATIONAL PARTY ADMINISTRATION

St. Georges THE GRENADIAN VOICE in English 1 Jun 85 p 4

[Editorial: "Revolt or Inexperience?"]

[Text] IT is time for the New National Party and its government to get their act together, While, with charity, we may be able to say "give them a chance, they've only been there six months" in respect of their performance or the amount they have accomplished, we cannot say this in respect of their qualification for leadership or a demonstration of the unity that they claim exists among the diverse elements that went into the making of the party.

We cannot countenance the amateurishness which the government has displayed on too many occasions and the reports of an attempted "palace coup" are ominous especially in the context of our need for a group of men working in tandem to pull this country out of the abyss and put it on course to realise and maximise its considerable potential.

In the first place, the Payne/Heyliger matter should not have got as far as it has if the Minister and his senior advisors had done their jobs properly. In the second place, the matter should have been dealt with firmly and decisively by Cabinet without a senior Minister blabbing about it. In the third place, when Mr. Jones reviewed the matter he should recognise the breach of moral and ethical rectitude and -- only because the men had been given permission to work for an honorarium -- they should have been asked to go quietly, voluntarily -- instead of Mr. Jones making a statement in which he stuck his neck out unnecessarily and unwisely.

But all of this did not warrant the unseemly display by the Parliamentary group of the N.N.P. in making a separate statement -- no matter what its nature -- and especially through a Cabinet Minister -- as if there is some revolt or the tail is wagging the dog or some such thing. Have we or have we not got Cabinet government in this country?

It is not good news either that there has been an attempt at what we have described as a "Palace Coup", by junior people in the Parliamentary group, which is reported to have had at least the sympathy of at least one minister. It is also reported that some of the persons who gave active support to the move to unseat Prime Minister Blaize could cause him to say like Julius Caesar "Et tu Brute?" (You too Brutus?") What price politicians?

What we now hear, of course, is that, as a result of the upheaval, the unity in the party and government is now stronger than it ever was! We do believe that the best steel is tempered in heat and it is good for people to ventilate their differences, but these men must understand that this country cannot stand another political upheaval at this time. It will throw us back several years -- if not decades -- and, worse still, throw the country, once again, into the hands of proven undesirables. Young and inexperienced as some of these men are they need to mature rapidly. They need to understand the proper relationship of the party and the non-Cabinet parliamentarians to the "government". The Cabinet members need to understand their own peculiar position and the collective responsibility they share which only resignation can sever; and they all need to understand the authority which our system bestows on a Prime Minister.

Having said that, let us also say that it is necessary, it would seem, for the Prime Minister to re-examine his style and; while training the less experienced, keep these younger men who want to win their spurs from being frustrated. He

needs to review his too many portfolios and farm out some to existing or new ministers.

His is the major responsibility to make the government work and history will not forgive him if he fails.

MEXICO

BUSINESS OPENINGS SEEN IN U.S. SANCTIONS AGAINST NICARAGUA

Mexico City EXCELSIOR in Spanish 21 May 85 p 19-A

[Excerpt] The chairman of the Mexican Business Council for International Affairs [CEMAI], Pablo Garcia Barbachano, claimed that Mexico might make up for what the United States has withdrawn from Nicaragua. The latter's main purchases are spare parts, agroindustrial and laboratory products and pharmaceuticals.

He pointed out that Nicaragua's total purchases from the United States in those four categories account for 45 percent, and Mexico has the opportunity of taking over most of them, for sales purposes.

The representative of this industrial sector was queried about the trade mission visiting Panama, Nicaragua and Cuba. In this latter country, he said, the visit coincided with the display and presence of Mexican products sponsored by the Mexican Foreign Trade Institute, and they found very good prospects.

He explained that, if one adds to this the possibility of replacing to a large extent the \$140 million in goods that the United States will cease to supply to Nicaragua, as a result of the embargo, it may be said that, with effort, the foreign trade with those countries will improve.

As for Cuba, he gave a reminder of the partial accord giving an option for 30 Mexican products to enter its market through tariff preferences granted by both governments. Furthermore, in connection with Nicaragua, next week the Joint Mexican-Nicaraguan Commission will hold a meeting in which manufacturers from the two countries' private sectors will also participate, to analyze plans and problems related to the improvement of the commercial exchange and product sales.

Then Garcia Barbachano remarked that foreign trade has no ideologies, maintaining that proof of this lies in the fact that the CEMAI has relations with 62 countries, including the socialist nations of Europe, Cuba, Nicaragua and many others. He said: "When we deal with them, we don't discuss their political or ideological problems, but merely seek to heighten economic relations."

He added that there was no reason why our participation with Nicaragua should cause any problems with the United States. "It has always been our position to have



relations with all countries, regardless of the political system that they have. We are a country with a free economy, but this doesn't mean that we must trade only with countries having the same economic system. We can do so with anyone, for the good of the Mexican economy."

Also, in connection with another question, he commented that the position of Mexican business owners does not necessarily imply support for Mexican foreign policy with regard to the Nicaraguan embargo. "At these critical times for our economy, Mexico is attempting to sell as much as possible to any country, and thereby backs our government's economic policy of selling."

With respect to potential private investments in Nicaragua, he said that this would be possible if the government were to offer a law allowing for the repatriation of capital and profits. He noted that, in the case of Cuba, there are possibilities of investment.

2909

CSO: 3248/405

MEXICO

FORMER PRESIDENT LOPEZ PORTILLO RETURNS FROM U.S.

Mexico City EXCELSIOR in Spanish 28 May 85 pp 4-A, 22-A, 28-A

[From "Political Fronts" Column, by Guillermo C. Zetina]

[Text] Former President Jose Lopez Portillo returned yesterday from a trip to Los Angeles, California, as a simple tourist. He declined to make any statements at the international airport, our friend Jaime Duran reported.

"No, no, boys, I'm not going to tell you anything," was all the former Mexican leader would say. He arrived on Western Airlines Flight 732, and caused quite a stir on board the plane and as he went through the health, migration and customs inspection points.

Lopez Portillo was greeted by two of his personal aides. He was wearing sports clothes: black pants and shoes, a beige sweater and a brown plaid jacket.

He spent only a few seconds in customs because, according to the inspectors, he declared that he was not bringing in any items that were subject to duties, prohibited or restricted; moreover, they said, "Mexican law exempts all former presidents and their families from taxes for as long as they live."

Dozens of travelers who arrived on that flight made whispered comments, and a few of them nodded their heads at him in greeting.

Lopez Portillo hurriedly left the capital area terminal at about 1800 hours, headed for his residence at Cuajimalpa.

8926

CSO: 3248/406

MEXICO

18 PERCENT BOOST ACCEPTED FOR NATION'S 4 MINIMUM SALARY RATES

Mexico City EXCELSIOR in Spanish 1 Jun 85 pp 1-A, 15-A, 39-A

[Article by Humberto Aranda]

[Text] The Congress of Labor yesterday accepted an 18 percent raise in the general and professional minimum wages, after Secretary of Planning and Budget Carlos Salinas de Gortari stated that "it is the highest raise that can be given" without causing imbalances. Salinas de Gortari made this statement at a meeting with Labor Secretary Arsenio Farell Cubillas.

The raise will be effective today, and will last throughout the year. Consequently, the following four minimum wages will prevail in the country: 920, 1,114.80, 1,150.50 and 1,250.80 pesos per day. The latter wage corresponds to the Federal District.

Now that the Congress of Labor has accepted the 18 percent raise, the official announcement of the wage hike will be made today at 1000 hours at a meeting of the Council of Representatives of the National Minimum Wages Commission. The new minimum wages will be published in the Official Gazette next Monday, but they will be retroactive to today.

Angel Olivo Solis, president of the Congress of Labor, announced the results of the wage revision after a meeting of that organization's Executive Committee yesterday at 1700 hours. The meeting was held to approve the proposal that the government had submitted at the Labor Secretariat at 1200 hours.

The wage boost will benefit 10,960,000 workers throughout the country who work for the minimum wage; they represent 38 percent of the national labor force.

According to Olivo Solis, the 18 percent increase was accepted after Salinas de Gortari indicated that 1 point higher than that figure could cause serious damage to the parastate enterprises. Although inflation has declined, he noted, these enterprises are still mired in a deep crisis, and new oil price cuts have not been ruled out.

The labor organization also listened to an appeal for prudence by Arsenio Farell Cubillas, Secretary of Labor.

## Increases in Pesos

The 18 percent raise will have the following results: The minimum wage that used to be 780 pesos rises to 920 pesos, a 140-peso increase; the 860-peso wage rises to 1,014.80, a 154.80-peso climb; the 975-peso wage goes up by 175.50 pesos to 1,150.50; and the wage of 1,060.80 climbs to 1,250.80, a rise of 190.80 pesos.

The labor delegation to the Minimum Wages Commission, headed by Faustino Chena Perez, held out to the end for a reduction in the number of minimum wages from four to two, or at least three; it obtained only a promise from the government that this demand will be studied "seriously" when wages are reviewed again in December.

## Across-the-Board Increase

Angel Olivo Solis, president of the Congress of Labor, announced that the next step is to demand that all the country's firms, whether private or parastate, grant an across-the-board 18 percent raise in contract wages.

He explained, however, that this raise will not be sought by means of a general strike, but that each union should demand it of the respective companies. Rather than an economic move, a general strike would constitute a political move that could be used against Mexico by foreign interests, he added.

## Wages in 67 Zones

The new minimum wage of 920 pesos per day will be effective in the following zones: Zone 20 in West Chihuahua; 55, Guanajuato-Michoacan, Bajio; 95, Central Oaxaca; 34, North, West and South Durango; 56, North Queretaro; 98, North Chiapas, Pichucalco; 35, Central Durango; 58, South Queretaro; 99, Chiapas Palenque; 36, East Durango; 36, Zacatecas (the rest of the state); 38, Central Zacatecas; 40, North San Luis Potosi; 46, Jalisco, Bolanos Los Altos; 53, North Guanajuato; 67, Hidalgo; 68, North Mexico State; 85, Central Guerrero; 90, Guerrero, Oaxaca, La Costa; 91, Oaxaca-Tuxtepec; 95, Central Oaxaca; 100, Central Chiapas; 101, Chiapas, La Costa, Tuxtla Chico; 105, Campeche-Carmen; 106, Central Campeche; 107, North Campeche; and 110, Yucatan, forest agriculture.

The wage of 1,014.80 pesos will prevail in the following zones: Zone 6, Sonora Mountains; 10, Chihuahua Mountains; 11, Northeast Chihuahua; 12, Chihuahua Guerrero; 13, Chihuahua-Chihuahua; 14, Chihuahua Jimenez; 17, North Coahuila; 18, Coahuila Monclova; 19, Lake District; 21, Coahuila Saltillo; 23, Nuevo Leon Sabinas, Hidalgo; 24, North Nuevo Leon; 26, Nuevo Leon Montemorelos; 27, South Nuevo Leon; 29, Central Tamaulipas; 32, North Sinaloa; 32-A, Northeast Sinaloa; 33, South Sinaloa; 39, Aguascalientes; 41, South San Luis Potosi, Huastecas; 45, Nayarit; 48, Jalisco Ocotlan; 49, Central Coast Jalisco; 52, Colima; 54, Central Guanajuato; 57, Queretaro, Queretaro; 59, Michoacan Cienega de Chapala; 61, Michoacan Morelia; 62, Michoacan Zitacuaro; 63, Michoacan Meseta Tarasca; 64, Central Michoacan; 66, Coastal Michoacan; 69, South Central Mexico State; 70, Mexico State Toluca; 72, Northeast Mexico

State; 73, East Mexico State; 75, Morelos; 76, Tlaxcala; 77, Puebla Mountains; 78, Metropolitan Puebla; 79, South Central Puebla; 82, Central Veracruz; 86, Guerrero, Chilpancingo, Costa Grande; 97, Oaxaca Isthmus; 102, Chiapas, Tapachula; 104, Tabasco; 108, Yucatan, Merida Progreso; and 111, Quintana Roo.

The new wage of 1,150.50 pesos corresponds to the following zones: Zone 5, Coastal Sonora; 25, Metropolitan Monterrey; 30, Tamaulipas, Mante; 31, Tamaulipas Tampico Madero Altamira; 44, Veracruz, Poza Rica Tuxpan; and 47, Metropolitan Guadalajara.

The largest of the minimum wages, 1,250.80 pesos, will prevail in the following zones: Zone 1, Baja California Norte; 3, Baja California Sur; 7, Sonora-Nogales; 9, Chihuahua-Ciudad Juarez; 22, North Tamaulipas; 64, Federal District and Metropolitan Area; 84, Veracruz, Minatitlan, Coatzacoalcos; and 89, Guerrero-Acapulco.

8926

CSO: 3248/406



MEXICO

BRIEFS

**GUERRILLA, DRUG LINKS CLAIMED**--Cuernavaca, Morelos, 18 May--The drug traffic has recently been found to be linked with the guerrillas. Attesting to this we have the latest action taken in the Guerrero mountain area. The connections between the two have been for the purpose of surviving; although several drug traffickers have already been captured, confessing that they had been subsidizing the guerrillas, among others, those of Guerrero. The foregoing statement was made by the former governor of Guerrero, Ruben Figueroa, who was interviewed at the conclusion of Lauro Ortega's third government report. He added that it was untrue that foreigners have been a deciding factor in influencing the guerrilla action in the country. He explained that the guerrillas who are also prevalent in Morelos, known, among other names, as "Lucio Cabanas Party of the Poor," are the result of the cessation of the action taken in the state of Guerrero, allowing for an increase in the guerrillas, who are still in the mountains; noting that, unfortunately, the federal authorities have been unable to penetrate the area, to put an end to the guerrillas. [Excerpts] [Mexico City EXCELSIOR in Spanish 19 May 85 p 15-A] 2909

**PRESIDENT ON DEBT, COMMERCE**--President Miguel de la Madrid Hurtado stated yesterday that "there are solutions" to the Latin American foreign debt crisis, although he does not see any possibility of joint negotiations. The president made this statement in an interview he granted to the news agency EFE, and explained: "I think the conditions for a joint negotiation of the Latin American countries' debt are not present, although these countries can act together." The president also indicated that Latin America has not confined itself to complaining about its problems, but is making its own decisions about economic adjustments, which involve "very harsh and bitter measures." According to De la Madrid, the foreign debt crisis can be solved "if, on the one hand, the Latin American countries maintain our political will to solve our structural economic problems--of which we have many--and if, on the other hand, a climate of international economic cooperation is present, as has been the case in recent years to a certain extent." This cooperation, he pointed out, should not be limited to arrangements between debtors and creditors, but "also trade arrangements that would enable the Latin American countries to export more so that we can obtain the foreign exchange we need to pay our debts and develop our economies." He added that "we believe, then, that an integral approach should be taken, one in which we seek an international economic framework that will enable us to make an adjustment and at the same time recover our development capacity." [Excerpt] [Mexico City EXCELSIOR in Spanish 2 Jun 85 pp 1-A, 15-A, 16-A] 8926

NETHERLANDS ANTILLES

NEW CURACAO GOVERNMENT EMPLOYEES HIRED DESPITE FREEZE

Willemstad AMIGOE in Dutch 24 May 85 p 3

[Text] Despite the hiring freeze in effect for all governmental sectors and the impending general measure on wage formation resulting from the economic recession, a large number of people have been hired in recent weeks by the Curacao island government. Some 30 new employees have been hired by the Bureau of Labor Provisions alone, of which 10 or so are intended to function as supervisors, the chairman of the union of civil servants ABVO [expansion unknown], Frits Brito, says that he has learned. According to high-ranking officials in the island area, there is even talk of taking on more than a hundred new workers.

Although contradicted by Deputy George Hueck of the Ministry of Finance, some circles in the Curacao government are finding fault with the phenomenon whereby "reckless" government hiring is being pursued despite the hiring freeze. This development, which according to officials from the [government] personnel department and the Ministry of Finance, and to a high-ranking authority within the island government is taking on "frightening and impermissible" forms, is reason enough for dissatisfaction within the Department of Training Affairs, which advises the government in these matters.

Deputy Hueck denied these things to AMIGOE yesterday and said that there is no talk of exceptional cases. He did say that an agreement was recently reached on the hiring of 13 guards who are to be employed on the Rif recreation project. According to Hueck, this is entirely justified now that guards are seriously needed here. Hueck said in addition that some departments, such as Finance and the Tax Collector's Office, have in fact been strengthened. "However, it is a question here of necessary, qualified personnel," the deputy continued, saying that he does not feel that dissatisfaction within Training Affairs is "notable." "There is always cause for dissatisfaction," Hueck said, adding that "bad faith" is the motivation of the AMIGOE informants.

These sources, who did not wish to be more fully identified, have few good things to say about the course of events. Thus, the development is supposedly having a demoralizing effect and is moreover making the planned cutbacks difficult to sell. "People are furious," a high-ranking official in the government

said. Another informant who maintains close ties with the Governing Council spoke similarly of an unacceptable situation that has become notably worse over the last two weeks.

AMIGOE has learned that this development is arising at the Bureaus of Property Management and of Sport and Culture in particular. Supposedly in these departments a considerable number of people have been hired, entirely unnecessarily, for "senseless activities," as it was put. The deputy in charge of these two bureaus, Nelson Monte, could not be reached today by the editors of AMIGOE.

Although the civil servants' union has not been officially informed of a notable amount of hiring of new people into the island civil service, even chairman Brito confirmed that he had heard about it. With respect to the Bureau of Labor Provisions, he also knew the exact number of newcomers. Of the 27 total people, more than 10 were hired as supervisors to keep an eye on workers in charge of clearing away bushes from the side of roads, the labor leader said.

Brito told AMIGOE that he is of the opinion that an increase in island personnel such as this one will certainly not be good for the civil servants' organization. Certainly not when one considers that there are in fact already a lot of people in officialdom running around who do not have enough to do and who cannot even complete one day's work.

The ABVO chairman said that he has no objections to filling vacant posts with people who have returned after completing their studies, about which agreements were reached within the framework of formation. However, in this case the hiring of new island personnel seems to him to be based on purely political grounds. And that, Brito said, is in no sense acceptable. "When things are going poorly, how can you then pull off hiring so many people? It is true that hiring personnel is an employer's right; however, whenever it is announced that we must tighten our belts, you simply cannot hire people just like that." Brito said that as a consequence he views it as being of great importance that an absolute hiring freeze be introduced. As long as there is no question of an absolute freeze such as this, he does not expect that such practices in the area of personnel will end, he said.

Similarly, the civil servants' union is opposed to the appointment of former MAN [New Antilles Movement] council member Harold Martis to an office in the Bureau of Education and Culture. According to ABVO, Martis, who since his resignation from MAN has been an independent member of the Island Council, was named to an office for which there was no vacancy, according to the 1985 island budget. The appointment of the independent council member, who according to the ABVO does not have the proper qualifications for the office to which he is being assigned, was consequently sharply criticized by the civil servants' union.

12271

CSO: 3214/28

NETHERLANDS ANTILLES

BRIEFS

RICE MILL MACHINERY EXPORTS--Willemstad--With the construction of a "full-fledged" rice mill based on a design by Ir Doerga, Curacao has become the 11th country in the world that builds this type of machine. This machine, which is locally manufactured except for one component, was unveiled yesterday by Deputy Agustin Diaz. He was proud of the "Made in Curacao" sign, now that this mill is the first of a series intended for export. Not only Jamaica, but also Barbados, the United States and the Netherlands have each ordered two mills, which cost approximately \$200,000. In addition, Trinidad and Tobago has ordered a much larger model. Ir Doerga, whose similar design is also being used at the local rice plant Alesie, spoke yesterday during the ceremonies of a "milestone." Among other things, his speech revealed that the rice mill has a capacity of 3,000 kg an hour, while it is 25 percent more economical than conventional mills. [Excerpt] [Willemstad AMIGOE in Dutch 24 May 85 p 9] 12271

CSO: 3214/28

NICARAGUA

LIST OF EX-GUARD MEMBERS IN EPS PUBLISHED

San Jose LA NACION (NICARAGUA HOY Supplement) in Spanish 4 May 85 pp 1-C, 3-C

/Text/ The Sandinists say that all those fighting in northern and central Nicaragua are former Somoza guards. But the truth is that while the insurgent forces have 13 former National Guard officers in their ranks, the Sandinists in turn have 33 former officers ranking from general to second lieutenant in their service.

Of course, what is objectionable to the Sandinists is not that these men belonged to the disbanded National Guard, but that they are not now serving the Marxist regime of the commandantes.

Following we offer a list of former National Guard officers, noting their military ranks and the posts they currently hold in the Sandinist Government, which will void the accusation they constantly make that the democratic forces consist of former Somoza guards.

Gen Federico Prado, Ministry of the Treasury  
1st Lt Modesto Rojas, assistant commander of the FAS /Sandinist Air Force/  
1st Lt Ali Salomon (flier), assistant director of Civil Aeronautics  
Lt Col Fulgencio Largaespada  
Lt Col Elmer Espinal  
Maj Arturo Vallejos S.  
Capt Adolfo Cuadra  
1st Lt Felix Parrales Sanches  
Capt Sergio Lezama  
Capt Rijoerto Betancourt  
Capt Arturo Prado  
Capt Alfredo Quezada (flier)  
Lt Col Jose Ramon Madriz (aircraft mechanic)  
Capt Enrique Gaitan (aircraft mechanic)  
1st Lt Diomedes Urrutia (Signal Corps; CIFAN /expansion unknown/) Air Force  
Capt Manuel Porras (aircraft mechanic)  
Capt Armengol Lara (flier)  
1st Lt Alfredo Tablada (MFA /expansion unknown/)  
1st Lt Gonzalo Paramo (MFA)  
1st Lt Guillermo Arias (MFA)  
1st Lt Otoniel Norori (MFA)



1st Lt Francisco Pavon (aircraft armorer)  
1st Lt Roberto Gonzalez (aircraft technician)  
1st Lt Gustavo de Tinidad (air controller)  
1st Lt Carlos Vado (MFA)  
1st Lt Carlos Alvarado, Signal Corps  
Maj Ramon Suarez  
2nd Lt Manuel Monterrey  
2nd Lt Ever Escobar  
1st Lt Rigoberto Buitrago  
1st Lt Salvador Quintero, Signal Corps  
Col Manuel Rivas Gomez (Ret.), works with AERONICA /Nicaraguan Airlines/

8414

CSO: 3248/402

PERU

# NEW ADMINISTRATION'S ECONOMIC PLANS SEEN INEFFECTIVE

Lima PERU ECONOMICO in Spanish May 85 pp 3-6, 11-14

[Text] The Aprista CONAPLAN [National Planning Commission] Peru Plan diagnoses that the present economic crisis is due largely to the "damaging neo-liberal policy" implemented by the present government; a useful comment for the electoral debate, but of little practical value, as President Alfonsín would attest, for devising an alternative plan that would prove truly effective.

The fact is that, with a deficit in the public sector of the magnitude of the present one, with a delay in meeting the payments abroad, which will most likely prompt the rating "deteriorated value" for loans to Peru during the next few weeks, there is not much leeway for establishing what a severe critic has cleverly termed "a reckless neo-interventionist policy."

The crisis abroad is acknowledged in CONAPLAN's various documents. However, certain solutions proposed for surmounting it could prove quite ineffective. For example, although it is admitted that the exchange rate must have flexible handling, too much hope is placed in the device of the exchange differential, used without much success in other Latin American countries. Nor has it been carefully evaluated how, in such an event, each one of the exchange markets would be balanced, nor how the monetary effect of the balances thereof would be neutralized.

The creation of the Foreign Trade Institute as an agency for promoting the foreign trade policy is considered feasible by many specialists on the subject. Nevertheless, its effect would not prove favorable if, as the CONAPLAN documents propose, there is a return to state monopoly of the traditional exports (with all the risks of corruption that this entails), and there is a restoration of a gradual tax on exports, presumably higher than those in effect, as the international prices are recovered for those products. New taxes would make sense only temporarily, and with an increasingly expensive dollar; which is not CONAPLAN's intention either. A wry analyst asserts: "The Apristas are trying to make tortillas without breaking eggs." The fact is that to assume that the mining, agricultural and oil sectors are going to generate more foreign exchange as a result of the enactment of more controls and taxes is misguided, to say the least. In the case of non-traditional exports, it is

not so easy to replace a favorable exchange rate with a promotional set of credit and tax instruments either. This could benefit only the friends of the regime with access to those benefits and those who, sharing them, would accumulate power from the government.

The programming of imports and of payments for services (through the tariff, various para-tariff instruments and controls) could prove partially effective if it did not reach the absurd extremes of the last decade. The registry of imports, and the banning and temporary control (with expiration dates established for periods without extension) of those luxury or competitive products easily regulated, as well as the tariff on imports of services, could prove feasible over the short term; but they have a disputable validity beyond the surmounting of the immediate emergency. What should be sought with greater intensity is the creation of an economic and legal framework that would prompt Peruvian business owners and executives to raise their productivity, and not waste time pursuing expedients through the ministries. For example, the tariff policy should be promotional, and not merely defensive. As for the flow of capital, any sensible person recognizes that controls drive away more than they save. For example, there is no better way of fostering travel abroad than by announcing that it is intended to "discourage all kinds carried out for a purpose other than that of an official type," etc. The best way of reducing it is, as CONAPLAN's same document aptly states, by making it more expensive. And to accomplish this, rather than the device of new taxes and annoying red tape, the best way is to charge a large amount for the dollar, and to have only one, to prevent the corruption by those who end up selling "dollars for students or sick people" to unknowing tourists. The rest is empty talk, and bad.

The issue of the foreign debt has been dealt with by several APRA [American Revolutionary Popular Alliance] leaders, especially the vice-chairman and potential chairman of the Council of Ministers, Luis Alva Castro, who has written a book on the subject. His proposal is quite specific, and consists of holding negotiations with the IMF, the private banks and the Paris Club, other multilateral agencies and the socialist governments, for a complete restructuring of the due dates, so as to limit the service "to a maximum of 20 percent of exports," with lower financial costs based on a sacrifice shared between the borrowing agencies and the country, specifically entailing a substantial cut in the commissions and also of the commercial banks' interest. To this end, as well as to maintain access to other credit sources, he proposes an agreement on the Latin American level in order to put up a common front on this issue.

However, belling the cat of the international financial system is not a task that can be delegated to inexperienced persons and, in CONAPLAN, they have no one to lead that battle. It is for this reason that names of independents, such as Manuel Moreyra, have come up to "take charge of the debt issue." Nevertheless, this function cannot be dissociated from the devising of the economic program, because the success that might be achieved in it depends largely on its consistency.

## Moreyra's Prescription

Like the majority of the technocrats of SODE [Solidarity and Democracy], Moreyra does not agree with certain aspects of CONAPLAN's diagnosis. In his view, besides the aftermath of the Peruvian society's traditional ills, the crisis of the last 5 years has, largely, specific and concrete origins: the lack of consistency in the tax policy, the erratic evolution of the exchange rate, the misuse of the foreign debt and the excess of unproductive expenditures. Moreyra is little inclined toward artificial, populist, solutions. His economic prescription book is quite simple: There must be a correction in the chronic imbalances, prevention of the cyclical crises, a rise in productivity and domestic savings, birth control, the maintenance of an expensive exchange rate, and the regionalization, decentralization and orientation, over the long term, of the market's direction, through concerted planning. For the next 24 months, however, he offers only "blood, sweat and tears." In his opinion, it is impossible to achieve an improvement during that interval, because past accounts will still be in the process of being paid. Moreyra claims: "The economic situation will become even worse. That is inevitable. The dilemma lies in deciding whether the sacrifice of the next 2 years is to be shared in an orderly way by all, or to be distributed chaotically through higher inflation." Only a politician like Alan Garcia, more concerned about the 1995 elections than about those of 1986 or 1990, could be willing to establish order from the outset, although it may cost him some popularity temporarily.

"1-1/2-1/2" is Moreyra's first prescription, not for making a pisco sour, but rather for reducing the deficit in the public sector. His formula is quite simple: Whatever the deficit is for the last 12 months (9 percent of the GDP not counting another 8 percent for the unpaid service on the foreign debt), cut it in half during the next 12 months and another 50 percent during the next period. In the third year, it should be cut to zero.

Attaining such goals means, simultaneously, raising taxes and cutting spending. CONAPLAN also considers it feasible to increase the tax pressure from the present 15 percent level to 20 percent of the GDP. For this purpose, it proposes a rise in many taxes and the elimination of tax exemptions. The extent to which raising the rates of certain taxes will increase collections still remains to be seen. The experience of the past few years has been that the collection of the sales tax increased when the rates declined. But there are also some new, ingenious proposals. For example, Cesar Vasquez, one of CONAPLAN's most dynamic economists, has proposed an ad valorem tax on "shares of stock or certificates of contribution required for joining social clubs, and on the periodic dues charged to members of the aforementioned organizations." Where there does seem to be agreement between Moreyra and the CONAPLAN technocrats, who held a first coordinating meeting on Saturday afternoon, 27 April, is on the appointment of Armando Zolezzi, a proven official with long experience in the field, as superintendent of contributions, a post that would be created to reinforce that function.



Insofar as the public sector's spending is concerned, the CONAPLAN technocrats are greatly concerned over the inflexibility of its policy. It would be helpful if the politicians realized that one out of every five Peruvians deems it necessary to cut military spending, and that measures such as reducing the investment plans and the bureaucracy, as well as selling non-priority state enterprises, have more popular support than the cliché of the debt service, procuring more loans or issuing more money, based on a recent poll taken by APOYO in a representative sample.

In 1982, the spending on public investment (which ranged between 5 and 6 percent of the GDP prior to this government) rose to 10.2 percent of the GDP, and it is projected at levels exceeding 8 percent for this year; a sum equivalent to all the private savings, at a time when the public sector is dissaving.

Cutting spending will not be an easy task, and it should include an analysis of the actual degree of progress of each project, the cost of stopping the work per se, the marginal profitability of the investment, and its impact, for example, on the balance of payments, labor and agricultural reactivation. In any event, it is obvious that there are no means for initiating new projects involving significant amounts. In order to survive, the construction companies should concentrate their efforts on finding ingenious ways of offering their management infrastructure and equipment for more priority jobs, such as agricultural reactivation.

Moreyra is of the opinion that, to succeed in the renegotiation of the debt and thereby save on the interest payments, it is necessary to implement a relatively orthodox program insofar as measures associated with foreign trade, a drastic cut in the fiscal deficit and the management of the monetary policy are concerned. Since the savings in foreign exchange that he assumes he could achieve from successful negotiations far exceed what could be achieved through the controls, measures and taxes proposed by CONAPLAN, it is reasonable to assume that Alan Garcia would prefer him as minister. In this connection, it would be especially useful for him to have the backing of a diplomat experienced as foreign minister, who would assist him in all matters relating to the coordination of regional policy.

The most serious rival that Moreyra has for occupying the ninth floor on Abancay Avenue is his friend and close associate, Senator Javier Silva Ruete, who, encouraged by the large preferential vote attained and the numerical majority received by APRA in the Senate, feels legitimately entitled to be minister. Nevertheless, the Aprista majority in the Upper Chamber is flimsy, not only because it includes indisputable leaders, who are nevertheless of advanced age, of whom it would be unfair to demand strict compliance with schedules, but also because of the lack of qualified technicians capable of coping with the incessant fire approaching from the opposition regarding the management of economic policy. It will be essential for APRA to have Silva Ruete on hand in commissions such as those of the economy, and the bicameral budget, for example.

Moreyra's conditions for assuming the ministry post are essentially two: the acceptance of his program (for which it is still necessary to elucidate



differences with CONAPLAN's proposals), and freedom to form a team. The basis of the latter would consist primarily of the former manager of the BCR [Central Reserve Bank], Alonso Polar, as single vice minister, and the current president of the Andean Reserve Fund, Raul Salazar, as president of the Central Reserve Bank.

One conceptual difference between Moreyra and the CONAPLAN team lies in the fact that, although the Aprista technicians consider the inflation problem important, their proposals attach priority to the reactivation of production over the reduction in price hikes. It is obvious from a reading of the CONAPLAN documents that it has encountered difficulties in defining concepts associated with handling inflation, to the point of not detailing what the policy to be pursued in the monetary area would be. This is because there are still internal differences among the Apristas concerning the possible short term management. For example, one can find positions ranging from moderately liberal ones, such as those of the former BCR official, Guillermo Castaneda and of Lima council member Alberto Vera La Rosa, to radical control proponents, such as the young economists Cesar Vasquez and Victor Lopez, and including moderate control proponents such as the former Industrial Bank manager, Jose Palomino, mentioned for the chairmanship of CONADE [National Council for Development], and advocates of a reactivation "involving everything," such as Gustavo Saberbein, the likely future minister of industries. Moreyra, on the other hand, thinks that inflation is the most regressive device in terms of the distribution of income (because it impoverishes more those who have less), and he is firmly convinced that the battle against inflation must be a priority in any program for total reactivation that is not selective and, in its beginnings, concentrated exclusively on agriculture (in which it is possible to raise productivity substantially over the short term) and non-traditional exports, necessary for bridging the gap in the external sector. Moreyra does not consider it fitting to stimulate a general reactivation of the productive system, which would have to wait until a greater purchasing capacity is consolidated on the rural level, based on the recovery of agriculture. Similarly, the battle against inflation would have to include a very stringent monetary program that would limit credit substantially, especially to the industrial sector which is its leading user; something which could cause a possible decline in the gross domestic product during the months immediately after the enactment of a program of this type. Unlike other politicians, Moreyra does admit that giving priority to certain sectors necessarily entails postponing others.

In the event of the enactment of a program of the kind suggested by Moreyra, to make it possible for an effective refinancing of the foreign debt to occur that would not trigger an overt, total conflict with the international financial system (which is necessary if there is a desire to cut the cost of the service on that debt), it would be required to resort to the use of such instruments as the exchange and interest rates, as well as to a greater collection of taxes for financing the fiscal deficit. This would generate a leap in inflation during the second half of the year, which it just might be possible to reduce, with luck, starting in 1986. A development of this type

would exceed the rate of 200 percent as annual inflation for 1985, which might make it difficult to reduce its level under 100 percent during 1986.

### Reactivation

Insofar as the reactivation of the productive system is concerned, CONAPLAN's proposals confirm the recognized priority of the agrarian sector. They also consider it possible to make an immediate increase in the industrial sector's production based on a greater share of the demand on the domestic market, to be achieved through a degree of protectionism higher than that in effect, and the opportunities on the foreign market.

For this purpose, they are of the opinion that the reinforcement of the domestic market, through prioritization of the rural areas, would entail an increasing demand for goods from the industrial sector, particularly those branches wherein it is possible to apply a selective planning device that would be geared to the real situation. The CONAPLAN technicians admit that the industrial sector is in a state of crisis, both because of the shrinkage in demand and because of a certain amount of exhaustion of a model which relied on an over-protected substitution of imports to the durable goods consumption sector demanded by the higher income levels. According to the Aprista documents, the needed reconversion of the existing facilities should be gradual, to protect a productive system that has taken many years to build and that should be utilized to the maximum extent. Hence, what would be sought is to have the industrial sector continue to raise its technological capacity and put itself in a position to compete with its Latin American counterparts, also seeking a certain amount of specialization that would enable it to export to the world market. Other goals are the generation of more jobs and the austere use of meager resources, such as foreign exchange and energy.

The backing which APRA wants to give to the national industrial sector would require, as compensation, a greater adaptation of business firms to the circumstantial requirements that the country's economy is currently confronting. For this purpose, it intends to carry out this restructuring in the context of an agreement between the government and the respective business firms involved.

In agriculture, an attempt would be made to set up a "rural system," with the participation of peasants and farmers, which would cover such important areas for increased production in the rural areas as maximum use of the natural resources, an expansion of the growing areas, development of a more suitable infrastructure, an improvement in the general living conditions, the procurement of a larger volume of goods and services to meet the basic needs and suitable planning and management, based on the promotion of those products which link agriculture and, in particular, the national agroindustry. It is also planned to create a National Food Security System, based on a low-cost basket of food, whereby priority would be given to the programming and formation of different types of enterprises, particularly associative ones, to facilitate and reduce the cost of marketing in the national area. Nevertheless, the CONAPLAN documentation has not yet defined in great detail the branches of agrarian and industrial production to which special promotion would be given. The fact that, in the chapters relating to agricultural

promotion, sufficient emphasis has not been given to the increase in prices associated with agricultural products, in the absence of which none of the proposed goals will be attained, is also symptomatic. Obviously, this measure will mean a relative decline in the income for the urban centers, unlike the subsidies that they have been receiving from the rural areas during past decades. Hence, the announced reactivation is not easy to enact from a political standpoint.

As for the other proposals concerning the agricultural sector, Moreyra agrees with what CONAPLAN has proposed; which is not surprising. Priority for agriculture, both in terms of relative prices, and direct incentives for production (through credit, technical assistance and better infrastructural conditions) as well as more suitable marketing mechanisms, have been acknowledged as necessary by all political groups.

The attainment of an effective industrial reconversion is also an objective accepted by everyone. Nevertheless, there is still a void regarding what might be the main guidelines of a new industrial policy which, if proposed immediately, would not bring results until the next decade. In this context, little significance has been attached to the impact that the technological transformation being experienced on a worldwide level might have, with processes such as biogenetics, robotics, telecommunications and data processing systems, which will seriously affect the national industry's competitive capacity over the medium and long term.

#### Savings and Investment

With regard to the state enterprises, there is consensus on the feasibility of strengthening CONADE. Some, such as the sociologist Carlos Franco, even think that ministries such as those of fisheries or energy and mines could be merged with that of agriculture, if CONADE were given sufficient authority and the enterprises were given autonomy. Nevertheless, there are but few stipulations in the CONAPLAN proposals. Special importance is given to several enterprises, primarily those associated with the foreign marketing of raw materials. For others, such as the ones with sizable investment programs, it does not go so far as to clearly define any policies relating to the activities that they will be carrying out. For example, no price policy is defined for public services that would ensure sufficient profitability to expand the social infrastructure: ELECTROPERU [Peruvian State Electric Power Enterprise], in the case of power; ENACE, the National Buildings Enterprise, insofar as new housing is concerned; SEDAPAL, and its affiliated enterprises in provinces, for water; and ENTELPERU [National Telecommunications Enterprise of Peru] and CPT for telephone services and others. Nor is any mention made of how the problems of certain state enterprises such as CPV [Peruvian Shipping Corporation] and AEROPERU [Peruvian State Airlines], which are currently having great difficulties in operating profitably and absorbing increasing amounts of the government's funds, will be solved. On the other hand, the need for reinforcing PETROPERU [State Petroleum Agency] is cited, but there is no precise statement about the distribution to be made between this enterprise and the state regarding the revenue received from the price of gasoline.



Although there is an awareness in APRA of the need for a substantial increase in domestic savings, but few measures have been proposed to achieve this. One key criterion that is cited specifically is the need for attaining savings in government accounts equivalent to a minimum of 2 percent of the GDP; which is consistent with the goals for investment which, on the whole, it is intended, ambitiously, to raise to nearly 21 percent of the GDP during the 5-year period. The main argument revolves around the need to create 4 million jobs by the year 2000. However, to make this possible, with an estimated average investment of \$8,000 per worker, it is calculated that \$32 billion would have to be mobilized in 15 years; which represents a fixed gross investment rate of between 19 and 21 percent, and an estimated growth rate in the GDP of 5.1 percent per year.

Since no other devices are mentioned for increasing domestic savings, one would infer from the available documentation that the leading investor would have to be the state enterprise, and that the latter would have to collect, through prices, rates or other methods, the necessary funds for raising the investment rate to the aforementioned level. A gross contradiction should be noted in this respect; because in the past investments made by the large Peruvian state enterprises have been very capital-intensive and meager generators of employment.

Nor does CONAPLAN clearly state what the participation of private enterprises in the total investment would be, noting only that, through programs of coordination for the priority areas, the funds required for future investment projects would be generated.

And, although it expressly states that the interest rate would be reduced based on the anticipated inflation levels, it is rather unlikely that a sizable increment will be achieved in the levels of domestic savings among families and private enterprises. Moreyra, on the other hand, claims that it is not feasible to increase investment substantially without an even greater increase in the level of domestic savings; for which it would be necessary to give a special incentive to families and business firms by means of stability in the economic policies and consistency in devices such as the interest rate, financial regulation and the tax system, in addition to an effective rehabilitation of government accounts.

It is obvious that CONAPLAN does not consider the market per se a good operative regulator in the Peruvian economy, owing to the presence of a group of structural shortcomings difficult to surmount. Hence its decision to substantially bolster the role of planning. To this end, it proposes to revitalize that system and to incorporate, as a basic concept, the coordination of activities between the state, the private sector and the workers. The coordination device proposed for the overall planning, including therein the government budget, would be the National Economic Congress, to be established first on the level of the Presidency of the Republic, as a body for consultation in making decisions of an economic nature. In this connection, Moreyra thinks that, in this necessary effort for coordination, it could be stipulated that wages would no longer lose real value. As a prerequisite for this, however, he says that

wages must be set more directly on the basis of production; that it is necessary to seek the means for reducing the social burdens; and that it must be recognized that it is impossible to raise wages if one is attempting to increase employment. In principle, Moreyra is not opposed to controls or subsidies to protect the family market basket. But he stresses that they must be few, selective and temporary, in other words, with a termination date.

Furthermore, APRA has constantly expressed its desire to coordinate in detail certain policies in the areas of industrial production and the programs to reactivate agriculture. In these cases, it would be a matter of ensuring certain minimal conditions for the enterprises participating in the coordinating exercise, as well as for the workers in them, in exchange for a response of a certain orientation, whether regarding the levels of investment or wages, or the types of production to which the funds would be directed. According to Victor Lopez, a specialist in social policy for CONAPLAN, the priority sectors for this coordinating effort would include the producers of foods and other staple goods, the components of a low-cost market basket.

For all the reasons previously cited, APRA considers greater state intervention necessary, through certain control mechanisms, such as those associated with imports, exchange and prices of basic items for family consumption, among others. Also, when CONAPLAN discusses topics such as tax evasion, smuggling, the incorporation of the informal sector, the mechanisms for attracting direct foreign investment, etc., the proposals imply an intention for greater state intervention than that implemented in the country during the past 5 years.

It is also noteworthy that CONAPLAN proposes to intensify the various types of cooperation, particularly those linked with the agrarian sector, to stimulate the self-managing productive units as well as establishing joint participation in management, profits and ownership of business enterprises, making the mechanism of the labor community apply to the productive sectors which lack it now. No attention is paid to the disappointments experienced in this respect, nor to the adverse effect that this measure would have on the investment climate in the private sector. Stress should be placed on the geopolitical risk that this entails if, as is intended, Ecuador should become the Taiwan of South America in attracting foreign capital.

#### The Style of Government

Despite having carried out an election campaign which several analysts have described as neo-Belaundist, there is no doubt that Alan Garcia will make major innovations in the style of government. Whereas President Belaunde has been typified by concentrating on the development of infrastructural projects and the strictly political leadership of his government, President Garcia will attempt to make the fundamental decisions in all sectors. Whereas Belaunde prefers personal delegation, Garcia is inclined toward delegating responsibilities to commissions. Some of this is already being reflected in the transfer process. Alan Garcia has appointed a group of sectorial commissions to collect information, devise regulatory plans and propose lists of three candidates for the key posts of each sector, but nothing further. One of his closest



collaborators has commented: "Alan is very distrustful; he likes to listen to many people before making decisions." The bad part of it is that, faced with an outgoing government anxious to surrender its power, Alan Garcia has, thus far, only an enormous preselection wherein, in Barack style, he is pitting everyone against everyone else, before setting up the regular staff. If this decision is postponed until July, he will have lost valuable time for learning, and also for influencing the adoption of certain measures.

The creation of coordinating commissions will definitely be the next government's main feature. This will begin with the Council of Ministers, and with the small councils on economic affairs, social affairs and security affairs. Jose Palomino, one of the authors of the chapter on CONAPLAN's state structure, thinks that the smaller number of members on those commissions would make them more operative, and allow for the inclusion of other high-ranking officials, such as the chairman of the IPSS [Peruvian Institute of Social Security], in the council on social affairs, and the heads of the BCR and CONADE in the council on economic affairs. Other commissions reportedly to be created would be: one for regional development, headed by the prime minister and comprised of the heads of the CORDES; and another for financial policy, chaired by the minister of economy and finance, and including the heads of the BCR, the Bank of the Nation, COFIDE [Financial Development Corporation], the development banks and the superintendent of banking and insurance. Jose Salavarry, a CONAPLAN economist specializing in development banking, thinks that the advantages of a committee of this type would be that it would allow for coordinated action to promote the decentralization of credit, to reduce speculation and to finance a selective reactivation of the productive system.

All the reports agree that the crux of the effort for coordination and agreement will be Alan Garcia. It is believed that he will lead most of the commissions, including frequent personal attendance. To support this, one of his closest collaborators claims: "In his message of 28 July and in the ensuing months, Alan will make a strong appeal for national unity. He will attempt to have the country congregate around him to cope with the crisis, the international banks and the IMF." In this respect, he is certain that Alan Garcia will also seek to assume a position of Latin American leadership. However, his achieving this will depend not so much on his rhetorical skill as on a demonstration of favorable results, over the medium term, from the program for economic adjustment that his government may adopt, dissociated from the IMF.

**NUMERE EN ORDEN DE PRIORIDAD LAS MEDIDAS QUE  
DEBERIA TOMAR EL PROXIMO GOBIERNO PARA REDUCIR  
EL DEFICIT DEL SECTOR PUBLICO**

(1)	Total %
— Reducir los gastos militares (2)	19.7
— Reducir los proyectos de inversión (3)	10.7
— Aumentar los impuestos a las empresas (4)	10.4
— Reducir el personal del sector público (5)	10.3
— Vender algunas empresas estatales no estratégicas (6)	9.0
— Eliminar las exoneraciones tributarias (7)	8.2
— No pagar la deuda externa (8)	5.3
— Conseguir más préstamos del exterior (9)	4.7
— Emitir más moneda (10)	4.6
— Aumentar los impuestos a las personas (11)	2.4
— Aumentar las tarifas de los servicios públicos (12)	2.4
— Aumentar el precio de la gasolina (13)	1.4
— No sabe (14)	9.0
— No responde (15)	1.9
<b>TOTAL</b>	<b>100.0</b>
Total de entrevistados: 895 (16)	
Fecha: Abril, 1985. (17)	
Fuente: APOYO S.A. (18)	

**Key to Table 1:**

1. Number in order of priority the measures that the next government should adopt to reduce the public sector's deficit.
2. Cut military spending.
3. Reduce investment projects.
4. Raise taxes on businesses.
5. Cut the public sector's personnel.
6. Sell some non-strategic state enterprises.
7. Eliminate tax exemptions.
8. Don't pay the foreign debt.
9. Procure more loans abroad.
10. Issue more money.
11. Raise taxes on individuals.
12. Raise the rates of public services
13. Raise the price of gasoline.
14. Don't know.
15. No answer
16. Total interviewed:
17. Date: April 1985
18. Source: APOYO, Inc

(1)

LA GESTION DEL PRESIDENTE BELAUNDE HA SIDO:			
Buena		Muy buena	en:
(2) %	(3) %	(4)	
37.4	11.1	(5)	Libertad de Prensa
33.3	6.7	(6)	Construcción
24.8	3.8	(7)	Relaciones Internacionales
Mala		Muy mala	en:
(8) %	(9) %	(4)	
46.6	30.8	(10)	Control del terrorismo
40.3	35.4	(11)	Control de la corrupción
38.9	31.3	(12)	Lucha contra el narcotráfico
37.2	27.3	(13)	Política económica

Base: 100%  
Fecha: Abril, 1985. (14)  
Fuente: APOYO S.A. (15)

Key to Table 2:

1. President Belaunde's administration has been:
2. Good
3. Very good
4. In:
5. Freedom of the press
6. Construction
7. International relations
8. Bad
9. Very bad
10. Control of terrorism
11. Control of corruption
12. Battle against the drug traffic
13. Economic policy
14. Date:
15. Source: APOYO, Inc

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APRA REPORTED PREPARING NEW NATIONAL HEALTH PROGRAM

Lima EQUIS X in Spanish 20 May 85 pp 13-14

[Text] There is under discussion one of the most ambitious plans that Alan Garcia's government would put into effect in the public health field. Within the respective subcommission they are reportedly reviewing the possibility of creating a really effective national health service, which would include all the treatment centers of the state and the Institute of Social Security, and which would have the cooperation and backing from the private sector, so as gradually to make it possible to provide treatment for the society as a whole, without discrimination detrimental to human dignity. It would call for implementing that proposal over the medium term, the financing for which would be furnished through a large national health fund. Social Security, with a great financial capacity, but with funds which are currently very poorly used and even wasted, if not misappropriated, would contribute for this purpose. To be sure, this partial contribution would be made being very careful to preserve the specific interests of the insured, and to improve considerably the treatment of the latter in the various areas which are currently in force in the letter of the legal provisions, but not in everyday practice. In order to put this idea into practice properly, as well as others aimed in the same direction, consideration is being given to using the services of the best specialists in the field, so as to suitably materialize the proposal in question. It is even intended to call from Geneva a prominent Aprist physician who is working in that Swiss city. He is Dr David Tejada de Rivero, who has held the position of deputy director of the World Health Organization, and is known to be one of the best qualified experts in the organization and direction of health systems on the international level. He has been collaborating for many years in that work, particularly in Chile, China and Czechoslovakia. A substantive feature of the initiative would be the creation, as an adjunct to the system, of a very important area engaged in the mass-scale manufacture of basic medicines, which could be distributed free of charge in hospitals to patients of small means. As everyone knows, at present, because of the economic crisis and the runaway inflation, one of the most serious problems for most of the population lies in the constant rise in prices of medicines, which is putting them out of reach of the ordinary person's means. Nevertheless, the idea of assigning Tejada for that entire endeavor, as health minister, would appear to have aroused a certain amount of jealousy among Aprist physicians who consider

themselves entitled to occupy that post. In spite of everything, consensus is reportedly being formed among the party's leadership in the aforementioned direction.

Moreover, while the virtual president-elect has continued his meetings with prominent individuals representing the various areas, such as the important meeting that he held on Wednesday, at the Apostolic Nuncio's Office, before traveling abroad, mention was made in high-level APRA circles of the formation of another substantive government agency, after the transfer of the top-level command. That agency would be comprised of a group of advisers to the Presidency of the Republic. Javier Tantalean Arbulu, who might also be named chief of the National Planning Institute, has been mentioned, among others, to head it.

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# COMMUNIST PAPER'S EMPLOYEES PUBLISH OWN EDITION IN DISPUTE

Lima EL DIARIO DE MARKA in Spanish 28 May 85 p 2

[Article by Plinio Esquinarila: "'El Diario' For Its Workers"]

[Text] At noon on 12 May, the date of our morning paper's fifth anniversary, the editorial office was empty. Only Manuel Gongora, former editor in chief, was present, selecting file photos of previous anniversaries which had not been so tinged with solitude and very meager audiences as that fifth anniversary was.

The photos would be used for the 13 May issue. According to many colleagues, the irrelevant event was merely a sign of the decline and exhaustion for which the former editor, Carlos Angulo, was largely to blame.

Furthermore, 2 weeks before the elections of 14 April, the editorial staff and the workers had decided to work only during the first balloting electoral period, because of the fact that, not only had their salaries been held up for months, but also the lack of journalistic cadres and financial resources was visibly evident. In other words, we continued working, but primarily for principle-based reasons, in order to back the left in the electoral contest.

## The Company's Liquidation

Due to causes that are not pertinent, the company was virtually unmanageable at the beginning of last year. If editing has continued up to now, it has been basically for three reasons according to documents of EL DIARIO's Trade Union Committee: first, because it continued accumulating its debts in all areas; second because it was virtually not paying its workers, and the salaries most closely associated with the management were reduced to ridiculous IOU's; and, third, because it was practically being subsidized for newsprint supplies, according to Carlos Angulo himself. This was so in view of the fact that the company had procured a certificate which, according to Law 23407, exempted it from taxes on imports of newsprint supplies, because it was a newspaper company.

But on 16 March 1984, the board of directors appointed Angulo himself, who had held the general manager's position since 1981, to liquidate the company.

Since that 12 May 1980 when EL DIARIO came out for the first time, it had tried various types of participation and management. The first period, a strictly business owners' one, with Eduardo Ferrand and Jorge Flores, was followed by a tripartite system (33 percent, proportionately, for the business owners, the participating political parties and the trade union). Then came a fictitious system whereby they promised us 50 percent of the ownership and the management for the workers and 50 percent for the rest of the shareholders.

Those types of business management failed, mainly because of the poor handling of the political contradictions. But in the strictly administrative and financial area, the company was slipping into a chaos such that it reached the point of absurdity, when we consider the following indicators: The personnel payrolls were prepared only until February; from that time on, there were only mere receipts, for small amounts, in total disarray; while in cash, the chaos was worse, to the point where, after the notarial inventory that we took, the accountant who helped to pore through the documents simply said that no inventory could be taken in that disarray, nor could it be put in order by any accountant.

Speaking for the journalistic area, which succumbed to vetos with emotions prevailing over rationality, is a circulation which, on 17 May, reached 8,310 copies for Lima and 3,400 for the provinces; this, with returns approximating 50 percent. It was all sharply dropping when, incidentally, it reached its highest point, for electoral reasons, totaling 27,000 copies on 14 April, election day.

#### Liquidation of the Liquidation

In talking with the heads of EL DIARIO, and with the main stockholders of the EL TRABAJO Publishers, regarding the situation created upon the expulsion of Angulo and five of his loyal associates, Eduardo Ferrand said that Angulo's status as a liquidator was completely improper, because, according to law, he had had only a 6-month term. A similar view was held by Diez Canseco, who cited the need for appointing a liquidator to replace Angulo. Furthermore, no stockholder of the company has been in solidarity with the liquidator.

The entire irregular and illegal management had clearcut signs of a total informality occurring for the first time in the history of national journalism. The closing down was the specter approaching day by day. And, according to Angulo's calculations, it was due to arrive at the beginning of last week.

For this contingency, he had taken the precaution of transferring the shares of stock of EL TRABAJO Publishers to a business firm; and, behind the workers' backs, he presumably sought the services of the Juridical, Business, Accounting and Administrative Law Firm (EJECA) to make that transfer, which proved unsuccessful, with the firm Arte Final, Inc.

Nevertheless, the plans went further: Angulo was considering the publication of a new magazine on the printing press which prints EL CALLOA, after the closing of EL DIARIO, a magazine to be called "MARKA" no less.

The rest is well-known history: At dawn on 17 May, the workers, fed up with these irregularities and realizing Angulo's plans, decided to resume EL DIARIO. Subsequently, it was decided to form the cooperative that will publish our morning paper and, on 25 May, the general assembly decided to appoint the journalist Juan Gargurevich Regal as new editor.

Since that day, a new phase has started, and the directions have been made clear. Others claim that there have also been insults: for example, our alleged connection with APRA [American Revolutionary Popular Alliance], as well as our political plan associated with United Left and other popular sectors, said to be synonymous with Aprism; as if our journalistic plan, related to the change of image, the recovery of credibility and the predominance of reason over emotion were Aprist or, as they claimed at another time, linked with the Mariateguist Unified Party. Fortunately, the truth is making headway with each passing day, and it will be seen more clearly when justice is responsible for settling accounts.

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#### BRIEFS

USSR CULTURAL EXCHANGE TERMS--The agreement on cultural and scientific exchange signed between Peru and the Soviet Union, establishing the most extensive collaboration in the areas of culture, education, science, art, the press, radio broadcasting, television, cinematography and sports, will be in effect for 5 years. But it will be revised every 2 years, a period wherein the contracting parties will decide, through diplomatic channels, on the pertinent programs of activities. The agreement, consisting of 16 articles, will go into effect on the date that its approval has been mutually conveyed by the parties in notes, based upon the formalities stipulated by their respective legislations. Among other things, the two countries pledge to contribute to the reciprocal information on achievements in education, science and culture in both countries; and, for this purpose, they will aid in the translation and dissemination of literary and scientific works by their authors. There will be a promotion of mutual visits by researchers, scientists, professors, authors, composers, orchestra and theater directors, film-makers, television and radio producers, journalists, painters and artistic ensembles, as well as by representatives and specialists associated with artistic, educational, cultural and scientific activity. [Text] [Lima EL COMERCIO in Spanish 1 Jun 85 p A-4] 2909

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